Sentry®

The Patriot

Sentry Variable Account II

Annual Report
December 31, 2017

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Sentry Life Insurance Company
and
The Contract Owners
Sentry Variable Account II:

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Sentry Variable Account II (comprised of the sub-accounts listed in the statement of assets and liabilities, collectively, the Accounts), as of December 31, 2017, the related statements of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the related notes (collectively, the financial statements) and the financial highlights for each of the years in the five-year period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Accounts as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Accounts' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Accounts in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Such procedures also included confirmation of securities owned as of December 31, 2017, by correspondence with the transfer agent of the underlying mutual funds. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as

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evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have served as the Accounts' auditor since 2007.

Milwaukee, Wisconsin
February 20, 2018

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SENTRY LIFE INSURANCE COMPANY

Sentry Variable Account II

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2017

Assets:

Investments at fair value:

* Janus Henderson Series - Institutional Shares:		
** Research Portfolio, 22,129 shares (cost $594,055)	$	807,925
Enterprise Portfolio, 193,529 shares (cost $7,892,871)		13,672,858
Forty Portfolio, 30,650 shares (cost $1,096,363)		1,218,650
Global Research Portfolio, 7,141 shares (cost $213,235)		365,612
Balanced Portfolio, 32,339 shares (cost $915,020)		1,140,583
T. Rowe Price Fixed Income Series, Inc.:		
*** Government Money Portfolio, 732,833 shares (cost $732,833)		732,833
Limited Term Bond Portfolio, 197,629 shares (cost $985,852)		952,574
T. Rowe Price Equity Series, Inc.:		
Equity Income Portfolio, 50,080 shares (cost $1,117,305)		1,465,852
Personal Strategy Balanced Portfolio, 230,152 shares (cost $4,295,326)		4,853,899
Mid-Cap Growth Portfolio, 25,111 shares (cost $632,071)		709,377
T. Rowe Price International Series, Inc.:		
International Stock Portfolio, 12,542 shares (cost $174,446)		217,605
Vanguard Variable Insurance Fund:		
Balanced Portfolio, 35,634 shares (cost $726,138)		883,719
Equity Index Portfolio, 8,914 shares (cost $261,587)		367,005
High Yield Bond Portfolio, 19,089 shares (cost $152,016)		155,191
Small Company Growth Portfolio, 20,165 shares (cost $441,468)		496,474
Mid-Cap Index Portfolio, 21,368 shares (cost $399,955)		506,851
REIT Index Portfolio, 33,494 shares (cost $445,525)		440,107
Total Assets		28,987,115
Total Liabilities		-
Net Assets	$	28,987,115

See accompanying notes to financial statements

* Formerly Janus Aspen Series
** Formerly Janus Aspen Janus Portfolio
*** Formerly T. Rowe Price Prime Reserve Portfolio

SENTRY LIFE INSURANCE COMPANY

Sentry Variable Account II

STATEMENT OF OPERATIONS

	For the Year Ended December 31, 2017		
	Janus Henderson Research**	Janus Henderson Enterprise	Janus Henderson Forty
	2017	2017	2017
Investment income:			
Dividends	$ 2,968	$ 32,178	$ -
Expenses:			
Mortality and expense risk charges	9,150	151,804	14,543
Net investment income (loss)	(6,182)	(119,626)	(14,543)
Realized gains (loss) on investments:			
Realized net investment gain (loss)	22,416	698,210	38,670
Capital gain distributions received	7,159	795,991	65,375
Realized gain (loss) on investments and capital gain distributions, net	29,575	1,494,201	104,045
Unrealized appreciation (depreciation), net	153,794	1,524,811	212,162
Net increase (decrease) in net assets from operations	$ 177,187	$ 2,899,386	$ 301,664

	For the Year Ended December 31, 2017	
	Janus Henderson Global Research	Janus Henderson Balanced
	2017	2017
Investment income:		
Dividends	$ 2,985	$ 17,134
Expenses:		
Mortality and expense risk charges	4,259	12,806
Net investment income (loss)	(1,274)	4,328
Realized gains (loss) on investments:		
Realized net investment gain (loss)	14,690	28,031
Capital gain distributions received	-	2,137
Realized gain (loss) on investments and capital gain distributions, net	14,690	30,168
Unrealized appreciation (depreciation), net	67,111	134,354
Net increase (decrease) in net assets from operations	$ 80,527	$ 168,850

See accompanying notes to financial statements

** Formerly Janus Aspen Janus Portfolio

SENTRY LIFE INSURANCE COMPANY

Sentry Variable Account II

STATEMENT OF OPERATIONS

	For the Year Ended December 31, 2017		
	T. Rowe Price Government Money***	T. Rowe Price Limited Term Bond	T. Rowe Price Equity Income
	2017	2017	2017
Investment income:			
Dividends	$ 2,524	$ 14,062	$ 24,475
Expenses:			
Mortality and expense risk charges	9,020	11,501	16,749
Net investment income (loss)	(6,496)	2,561	7,726
Realized gains (loss) on investments:			
Realized net investment gain (loss)	-	(414)	24,533
Capital gain distributions received	-	-	137,787
Realized gain (loss) on investments and capital gain distributions, net	-	(414)	162,320
Unrealized appreciation (depreciation), net	-	(3,562)	23,814
Net increase (decrease) in net assets from operations	$ (6,496)	$ (1,415)	$ 193,860

	For the Year Ended December 31, 2017		
	T. Rowe Price Personal Strategy Balanced	T. Rowe Price Mid-Cap Growth	T. Rowe Price International Stock
	2017	2017	2017
Investment income:			
Dividends	$ 72,105	$ -	$ 2,267
Expenses:			
Mortality and expense risk charges	56,838	8,208	2,459
Net investment income (loss)	15,267	(8,208)	(192)
Realized gains (loss) on investments:			
Realized net investment gain (loss)	60,034	23,744	5,777
Capital gain distributions received	235,929	84,148	8,352
Realized gain (loss) on investments and capital gain distributions, net	295,963	107,892	14,129
Unrealized appreciation (depreciation), net	390,034	42,426	33,126
Net increase (decrease) in net assets from operations	$ 701,264	$ 142,110	$ 47,063

See accompanying notes to financial statements

*** Formerly T. Rowe Price Prime Reserve Portfolio

SENTRY LIFE INSURANCE COMPANY

Sentry Variable Account II

STATEMENT OF OPERATIONS

	For the Year Ended December 31, 2017		
	Vanguard Balanced	Vanguard Equity Index	Vanguard High Yield Bond
	2017	2017	2017
Investment income:			
Dividends	$ 19,143	$ 6,321	$ 7,636
Expenses:			
Mortality and expense risk charges	9,923	4,141	1,869
Net investment income (loss)	9,220	2,180	5,767
Realized gains (loss) on investments:			
Realized net investment gain (loss)	15,950	13,169	(181)
Capital gain distributions received	30,153	10,795	-
Realized gain (loss) on investments and capital gain distributions, net	46,103	23,964	(181)
Unrealized appreciation (depreciation), net	49,104	37,627	3,158
Net increase (decrease) in net assets from operations	$ 104,427	$ 63,771	$ 8,744

	For the Year Ended December 31, 2017		
	Vanguard Small Company Growth	Vanguard Mid-Cap Index	Vanguard REIT Index
	2017	2017	2017
Investment income:			
Dividends	$ 2,305	$ 6,141	$ 12,944
Expenses:			
Mortality and expense risk charges	5,864	6,176	5,935
Net investment income (loss)	(3,559)	(35)	7,009
Realized gains (loss) on investments:			
Realized net investment gain (loss)	13,869	41,497	8,006
Capital gain distributions received	31,771	22,446	23,083
Realized gain (loss) on investments and capital gain distributions, net	45,640	63,943	31,089
Unrealized appreciation (depreciation), net	55,469	19,813	(20,192)
Net increase (decrease) in net assets from operations	$ 97,550	$ 83,721	$ 17,906

See accompanying notes to financial statements

SENTRY LIFE INSURANCE COMPANY

Sentry Variable Account II

STATEMENT OF CHANGES IN NET ASSETS

	For the Years Ended December 31					
	Janus Henderson Research**		Janus Henderson Enterprise		Janus Henderson Forty	
	2017	2016	2017	2016	2017	2016
Increase (decrease) in net assets from operations:						
Net investment income (loss)	$ (6,182)	$ (4,999)	$ (119,626)	$ (118,228)	$ (14,543)	$ (13,318)
Realized gains (losses) on investments	29,575	71,691	1,494,201	1,578,213	104,045	130,776
Unrealized appreciation (depreciation), net	153,794	(72,371)	1,524,811	(281,001)	212,162	(102,838)
Net increase (decrease) in net assets from operations	177,187	(5,679)	2,899,386	1,178,984	301,664	14,620
Contract transactions:						
Purchase payments	10,010	11,037	66,150	38,032	9,378	58,308
Transfers between subaccounts, net	(263)	567	(257)	(79,337)	4,403	147
Withdrawals	(74,679)	(87,264)	(760,102)	(736,757)	(199,443)	(68,269)
Contract maintenance fees	(1,204)	(1,296)	(11,505)	(12,308)	(1,411)	(1,334)
Net increase (decrease) in net assets derived from contract transactions	(66,136)	(76,956)	(705,714)	(790,370)	(187,073)	(11,148)
Total increase (decrease) in net assets	111,051	(82,635)	2,193,672	388,614	114,591	3,472
Net assets at beginning of year	696,874	779,509	11,479,186	11,090,572	1,104,059	1,100,587
Net assets at end of year	$ 807,925	$ 696,874	$ 13,672,858	$ 11,479,186	$ 1,218,650	$ 1,104,059

	For the Years Ended December 31			
	Janus Henderson Global Research		Janus Henderson Balanced	
	2017	2016	2017	2016
Increase (decrease) in net assets from operations:				
Net investment income (loss)	$ (1,274)	$ (400)	$ 4,328	$ 10,251
Realized gains (losses) on investments	14,690	4,386	30,168	36,396
Unrealized appreciation (depreciation), net	67,111	(1,314)	134,354	(13,351)
Net increase (decrease) in net assets from operations	80,527	2,672	168,850	33,296
Contract transactions:				
Purchase payments	4,919	5,298	10,100	8,211
Transfers between subaccounts, net	255	3,263	12,939	427
Withdrawals	(51,369)	(42,286)	(91,347)	(91,373)
Contract maintenance fees	(464)	(465)	(1,530)	(1,632)
Net increase (decrease) in net assets derived from contract transactions	(46,659)	(34,190)	(69,838)	(84,367)
Total increase (decrease) in net assets	33,868	(31,518)	99,012	(51,071)
Net assets at beginning of year	331,744	363,262	1,041,571	1,092,642
Net assets at end of year	$ 365,612	$ 331,744	$ 1,140,583	$ 1,041,571

See accompanying notes to financial statements

** Formerly Janus Aspen Janus Portfolio

SENTRY LIFE INSURANCE COMPANY

Sentry Variable Account II

STATEMENT OF CHANGES IN NET ASSETS

	For the Years Ended December 31					
	T. Rowe Price Government Money***		T. Rowe Price Limited Term Bond		T. Rowe Price Equity Income	
	2017	2016	2017	2016	2017	2016
Increase (decrease) in net assets from operations:						
Net investment income (loss)	$ (6,496)	$ (9,316)	$ 2,561	$ 1,545	$ 7,726	$ 14,141
Realized gains (losses) on investments	-	-	(414)	454	162,320	154,869
Unrealized appreciation (depreciation), net	-	-	(3,562)	(198)	23,814	42,963
Net increase (decrease) in net assets from operations	(6,496)	(9,316)	(1,415)	1,801	193,860	211,973
Contract transactions:						
Purchase payments	2,350	3,275	20,527	16,163	9,429	12,181
Transfers between subaccounts, net	(4,948)	10,336	(2,964)	13,245	(2,117)	1,984
Withdrawals	(20,860)	(41,775)	(29,785)	(133,032)	(73,579)	(182,232)
Contract maintenance fees	(782)	(784)	(1,238)	(1,429)	(1,651)	(1,687)
Net increase (decrease) in net assets derived from contract transactions	(24,240)	(28,948)	(13,460)	(105,053)	(67,918)	(169,754)
Total increase (decrease) in net assets	(30,736)	(38,264)	(14,875)	(103,252)	125,942	42,219
Net assets at beginning of year	763,569	801,833	967,449	1,070,701	1,339,910	1,297,691
Net assets at end of year	$ 732,833	$ 763,569	$ 952,574	$ 967,449	$ 1,465,852	$ 1,339,910

	For the Years Ended December 31					
	T. Rowe Price Personal Strategy Balanced		T. Rowe Price Mid-Cap Growth		T. Rowe Price International Stock	
	2017	2016	2017	2016	2017	2016
Increase (decrease) in net assets from operations:						
Net investment income (loss)	$ 15,267	$ 20,501	$ (8,208)	$ (7,956)	$ (192)	$ (263)
Realized gains (losses) on investments	295,963	112,663	107,892	97,009	14,129	9,228
Unrealized appreciation (depreciation), net	390,034	93,427	42,426	(55,872)	33,126	(7,209)
Net increase (decrease) in net assets from operations	701,264	226,591	142,110	33,181	47,063	1,756
Contract transactions:						
Purchase payments	16,337	14,209	8,146	7,086	3,746	3,416
Transfers between subaccounts, net	26,079	(974)	(161)	(96,981)	606	1,489
Withdrawals	(399,102)	(513,941)	(70,059)	(28,319)	(29,650)	(10,236)
Contract maintenance fees	(3,884)	(4,300)	(616)	(704)	(276)	(316)
Net increase (decrease) in net assets derived from contract transactions	(360,570)	(505,006)	(62,690)	(118,918)	(25,574)	(5,647)
Total increase (decrease) in net assets	340,694	(278,415)	79,420	(85,737)	21,489	(3,891)
Net assets at beginning of year	4,513,205	4,791,620	629,957	715,694	196,116	200,007
Net assets at end of year	$ 4,853,899	$ 4,513,205	$ 709,377	$ 629,957	$ 217,605	$ 196,116

See accompanying notes to financial statements

*** Formerly T. Rowe Price Prime Reserve Portfolio

SENTRY LIFE INSURANCE COMPANY

Sentry Variable Account II

STATEMENT OF CHANGES IN NET ASSETS

	For the Years Ended December 31					
	Vanguard Balanced		Vanguard Equity Index		Vanguard High Yield Bond	
	2017	2016	2017	2016	2017	2016
Increase (decrease) in net assets from operations:						
Net investment income (loss)	$ 9,220	$ 10,016	$ 2,180	$ 3,455	$ 5,767	$ 6,317
Realized gains (losses) on investments	46,103	55,078	23,964	17,177	(181)	(843)
Unrealized appreciation (depreciation), net	49,104	4,734	37,627	11,071	3,158	9,141
Net increase (decrease) in net assets from operations	104,427	69,828	63,771	31,703	8,744	14,615
Contract transactions:						
Purchase payments	16,110	11,155	1,320	1,320	514	972
Transfers between subaccounts, net	(632)	25,497	(1,246)	(450)	561	2,798
Withdrawals	(26,009)	(61,300)	(25,047)	(23,184)	(11,210)	(13,412)
Contract maintenance fees	(627)	(608)	(324)	(346)	(230)	(242)
Net increase (decrease) in net assets derived from contract transactions	(11,158)	(25,256)	(25,297)	(22,660)	(10,365)	(9,884)
Total increase (decrease) in net assets	93,269	44,572	38,474	9,043	(1,621)	4,731
Net assets at beginning of year	790,450	745,878	328,531	319,488	156,812	152,081
Net assets at end of year	$ 883,719	$ 790,450	$ 367,005	$ 328,531	$ 155,191	$ 156,812

	For the Years Ended December 31					
	Vanguard Small Company Growth		Vanguard Mid-Cap Index		Vanguard REIT Index	
	2017	2016	2017	2016	2017	2016
Increase (decrease) in net assets from operations:						
Net investment income (loss)	$ (3,559)	$ (3,604)	$ (35)	$ 584	$ 7,009	$ 5,810
Realized gains (losses) on investments	45,640	41,200	63,943	45,777	31,089	47,680
Unrealized appreciation (depreciation), net	55,469	16,924	19,813	(3,459)	(20,192)	(28,655)
Net increase (decrease) in net assets from operations	97,550	54,520	83,721	42,902	17,906	24,835
Contract transactions:						
Purchase payments	4,625	3,134	12,398	9,495	9,588	11,397
Transfers between subaccounts, net	(4,022)	12,481	(1,823)	29,270	(25,938)	76,190
Withdrawals	(63,540)	(32,327)	(73,886)	(16,910)	(83,442)	(23,072)
Contract maintenance fees	(516)	(457)	(449)	(415)	(423)	(395)
Net increase (decrease) in net assets derived from contract transactions	(63,453)	(17,169)	(63,760)	21,440	(100,215)	64,120
Total increase (decrease) in net assets	34,097	37,351	19,961	64,342	(82,309)	88,955
Net assets at beginning of year	462,377	425,026	486,890	422,548	522,416	433,461
Net assets at end of year	$ 496,474	$ 462,377	$ 506,851	$ 486,890	$ 440,107	$ 522,416

See accompanying notes to financial statements

1. **Organization**

The Sentry Variable Account II (the Variable Account) is a segregated investment account of the Sentry Life Insurance Company (the Company) and is registered with the Securities and Exchange Commission (SEC) as a unit investment trust pursuant to the provisions of the Investment Company Act of 1940. The Variable Account is an accounting entity wherein all segregated account transactions are reflected.

The Variable Account was established by the Company on August 2, 1983 in support of variable annuity contracts, and commenced operations on May 3, 1984. The Company discontinued new sales of variable annuity contracts on December 1, 2004. Management of the Company has determined that there is no justification for substantial doubt regarding the entity's ability to continue as a going concern.

The assets of each subaccount of the Variable Account are invested in shares of corresponding portfolios of Janus Henderson Series - Institutional Shares, T. Rowe Price Fixed Income Series, Inc., T. Rowe Price Equity Series, Inc., T. Rowe Price International Series, Inc., and Vanguard Variable Insurance Fund (collectively, the Funds) at each portfolio's net asset value in accordance with the selection made by contract owners.

The Funds are diversified open-end investment management companies registered under the Investment Company Act of 1940. A copy of the Funds' annual reports is included in the Variable Account's Annual Report.

The Variable Account meets the definition of an investment company under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946 and is following the accounting and reporting guidance under that Topic.

2. **Significant Accounting Policies**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Investments

Investments in shares of each of the Funds are valued on the closing net asset value per share at December 31, 2017. The Funds value their investment securities at fair value.

Securities Transactions and Investment Income

Transactions in shares of the Funds are recorded on the trade date if received by 3:00 p.m. central standard time (the date the order to buy and sell is executed). Dividend income is recorded on the ex-dividend date. The cost of Fund shares sold and the corresponding investment gains and losses are determined on a specific identification basis.

Federal Income Taxes

The Company is taxed as a life insurance company under the provisions of the Internal Revenue Code. The operations of the Variable Account are part of the total operations of the Company and are not taxed as a separate entity.

Subsequent Events

In connection with the preparation of the financial statements, the Company evaluated subsequent events after the financial statement date of December 31, 2017 through February 20, 2018, the date the financial statements were issued. No significant subsequent events were identified.

3. **Purchases and Sales of Securities**

In 2017, purchases and proceeds on sales of the Funds' shares were as follows:

		Purchases	Proceeds on Sales
**	Janus Henderson Research Portfolio	$ 20,325	$ 85,485
	Janus Henderson Enterprise Portfolio	972,600	1,001,949
	Janus Henderson Forty Portfolio	79,631	215,872
	Janus Henderson Global Research Portfolio	8,214	56,146
	Janus Henderson Balanced Portfolio	43,510	106,883
***	T. Rowe Price Government Money Portfolio	6,300	37,037
	T. Rowe Price Limited Term Bond Portfolio	38,022	48,921
	T. Rowe Price Equity Income Portfolio	171,767	94,172
	T. Rowe Price Personal Strategy Balanced Portfolio	416,521	525,895
	T. Rowe Price Mid-Cap Growth Portfolio	92,508	79,259
	T. Rowe Price International Stock Portfolio	15,204	32,617
	Vanguard Balanced Portfolio	66,251	38,036
	Vanguard Equity Index Portfolio	18,436	30,758
	Vanguard High Yield Bond Portfolio	8,711	13,309
	Vanguard Small Company Growth Portfolio	38,782	74,023
	Vanguard Mid-Cap Index Portfolio	41,255	82,606
	Vanguard REIT Index Portfolio	48,913	119,035
	Total	$ 2,086,950	$ 2,642,003

In 2016, purchases and proceeds on sales of the Funds' shares were as follows:

		Purchases	Proceeds on Sales
	Janus Aspen Janus Portfolio	$ 64,549	$ 100,959
	Janus Aspen Enterprise Portfolio	937,744	966,102
	Janus Aspen Forty Portfolio	214,649	89,045
	Janus Aspen Global Research Portfolio	12,263	46,854
	Janus Aspen Balanced Portfolio	47,678	106,963
***	T. Rowe Price Government Money Portfolio	14,365	52,628
	T. Rowe Price Limited Term Bond Portfolio	45,040	148,549
	T. Rowe Price Equity Income Portfolio	168,071	199,792
	T. Rowe Price Personal Strategy Balanced Portfolio	194,854	578,393
	T. Rowe Price Mid-Cap Growth Portfolio	49,303	135,364
	T. Rowe Price International Stock Portfolio	14,204	12,910
	Vanguard Balanced Portfolio	92,331	74,284
	Vanguard Equity Index Portfolio	15,026	28,310
	Vanguard High Yield Bond Portfolio	12,196	15,763
	Vanguard Small Company Growth Portfolio	54,657	38,290
	Vanguard Mid-Cap Index Portfolio	78,633	26,946
	Vanguard REIT Index Portfolio	167,875	66,911
	Total	$ 2,183,438	$ 2,688,063

** Formerly Janus Aspen Janus Portfolio
*** Formerly T. Rowe Price Prime Reserve Portfolio

4. Expenses and Related Party Transactions

A mortality and expense risk premium is deducted by the Company from the Variable Account on a daily basis which is equal, on an annual basis, to 1.20% (0.80% mortality and 0.40% expense risk) of the daily net asset value of the Variable Account. This mortality and expense risk premium compensates the Company for assuming these risks under the variable annuity contract.

The Company deducts, on the contract anniversary date, an annual contract maintenance charge of $30, per contract holder, from the contract value by canceling accumulation units. If the contract is surrendered for its full surrender value, on other than the contract anniversary, the contract maintenance charge will be deducted at the time of such surrender. This charge reimburses the Company for administrative expenses relating to maintenance of the contract.

Any premium tax payable to a governmental entity as a result of the existence of the contracts or the Variable Account will be charged against the contract value. Premium taxes up to 3.0% are currently imposed by certain states. Some states assess their premium taxes at the time purchase payments are made; others assess their premium taxes at the time of annuitization. In the event contracts would be issued in states assessing their premium taxes at the time purchase payments are made, the Company currently intends to advance such premium taxes and deduct the premium taxes from a contract owner's contract value at the time of annuitization or surrender.

Sentry Equity Services, Inc., a related party, acts as the underwriter for the contract.

5. Fair Value Measurement

Fair value is defined 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 Variable Account categorized its financial instruments into a three level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

The Company categorizes financial assets recorded at fair value as follows:

Level 1 - Unadjusted quoted prices accessible in active markets for identical assets at the measurement date. The assets utilizing Level 1 valuations represent investments in publicly-traded registered mutual funds with quoted market prices.

Level 2 - Unadjusted quoted prices for similar assets in active markets or inputs (other than quoted prices) that are observable or that are derived principally from or corroborated by observable market data through correlation or other means. The assets utilizing Level 2 valuations represent investments in privately-traded registered mutual funds only offered through insurance products. These funds have no unfunded commitments or restrictions and the Variable Account always has the ability to redeem its interest in the funds with the investee at NAV daily.

Level 3 - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Variable Account Investments	-	$28,987,115	-	$28,987,115

The Variable Account only invests in funds with fair value measurements in Level 2 and did not have any assets or liabilities reported at fair value on a nonrecurring basis.

6. Changes in Units Outstanding

The changes in units outstanding for the year ended December 31, 2017 were as follows:

		Units Issued	Units Redeemed	Net Increase (Decrease)
**	Janus Henderson Research Portfolio	774	5,877	(5,103)
	Janus Henderson Enterprise Portfolio	1,168	6,756	(5,588)
	Janus Henderson Forty Portfolio	708	9,868	(9,160)
	Janus Henderson Global Research Portfolio	543	5,243	(4,700)
	Janus Henderson Balanced Portfolio	1,055	4,208	(3,153)
***	T. Rowe Price Government Money Portfolio	188	1,403	(1,215)
	T. Rowe Price Limited Term Bond Portfolio	652	1,019	(367)
	T. Rowe Price Equity Income Portfolio	353	2,766	(2,413)
	T. Rowe Price Personal Strategy Balanced Portfolio	1,576	6,607	(5,031)
	T. Rowe Price Mid-Cap Growth Portfolio	219	1,775	(1,556)
	T. Rowe Price International Stock Portfolio	360	2,523	(2,163)
	Vanguard Balanced Portfolio	659	1,098	(439)
	Vanguard Equity Index Portfolio	52	1,064	(1,012)
	Vanguard High Yield Bond Portfolio	49	524	(475)
	Vanguard Small Company Growth Portfolio	155	2,139	(1,984)
	Vanguard Mid-Cap Index Portfolio	410	2,342	(1,932)
	Vanguard REIT Index Portfolio	365	3,191	(2,826)

The changes in units outstanding for the year ended December 31, 2016 were as follows:

		Units Issued	Units Redeemed	Net Increase (Decrease)
	Janus Aspen Janus Portfolio	1,369	8,216	(6,847)
	Janus Aspen Enterprise Portfolio	398	7,919	(7,521)
	Janus Aspen Forty Portfolio	4,092	4,518	(426)
	Janus Aspen Global Research Portfolio	1,012	5,032	(4,020)
	Janus Aspen Balanced Portfolio	495	4,627	(4,132)
***	T. Rowe Price Government Money Portfolio	712	2,140	(1,428)
	T. Rowe Price Limited Term Bond Portfolio	854	3,716	(2,862)
	T. Rowe Price Equity Income Portfolio	652	8,058	(7,406)
	T. Rowe Price Personal Strategy Balanced Portfolio	294	8,341	(8,047)
	T. Rowe Price Mid-Cap Growth Portfolio	257	3,719	(3,462)
	T. Rowe Price International Stock Portfolio	457	974	(517)
	Vanguard Balanced Portfolio	1,711	2,830	(1,119)
	Vanguard Equity Index Portfolio	89	1,152	(1,063)
	Vanguard High Yield Bond Portfolio	196	694	(498)
	Vanguard Small Company Growth Portfolio	613	1,342	(729)
	Vanguard Mid-Cap Index Portfolio	1,550	761	789
	Vanguard REIT Index Portfolio	3,435	1,742	1,693

** Formerly Janus Aspen Janus Portfolio
*** Formerly T. Rowe Price Prime Reserve Portfolio

7. **Financial Highlights**

A summary of unit values, units outstanding and certain financial performance information for each subaccount for variable annuity contracts and the expense ratios, excluding expenses of the underlying funds, for the year ended December 31, 2017 is as follows:

		Units	Net Assets Unit Value	Net Assets (000's)	Expenses as a % of Average Net Assets #	Income as a % of Average Net Assets	Total Return
**	Janus Henderson Research Portfolio	56,687	$ 14.25	$ 808	1.20 %	0.39	26.37 %
	Janus Henderson Enterprise Portfolio	97,780	139.83	13,673	1.20	0.25	25.92
	Janus Henderson Forty Portfolio	54,952	22.18	1,219	1.20	-	28.78
	Janus Henderson Global Research Portfolio	33,813	10.81	366	1.20	0.84	25.53
	Janus Henderson Balanced Portfolio	45,883	24.86	1,141	1.20	1.59	17.03
***	T. Rowe Price Government Money Portfolio	36,778	19.93	733	1.20	0.34	(0.86)
	T. Rowe Price Limited Term Bond Portfolio	26,004	36.63	953	1.20	1.46	(0.15)
	T. Rowe Price Equity Income Portfolio	50,290	29.15	1,466	1.20	1.74	14.65
	T. Rowe Price Personal Strategy Balanced Portfolio	63,873	75.99	4,854	1.20	1.52	16.02
	T. Rowe Price Mid-Cap Growth Portfolio	16,390	43.28	709	1.20	-	23.30
	T. Rowe Price International Stock Portfolio	15,563	13.98	218	1.20	1.10	26.37
	Vanguard Balanced Portfolio	31,451	28.10	884	1.20	2.30	13.36
	Vanguard Equity Index Portfolio	13,277	27.64	367	1.20	1.82	20.22
	Vanguard High Yield Bond Portfolio	6,947	22.34	155	1.20	4.89	5.74
	Vanguard Small Company Growth Portfolio	14,556	34.11	496	1.20	0.47	22.01
	Vanguard Mid-Cap Index Portfolio	14,818	34.21	507	1.20	1.19	17.67
	Vanguard REIT Index Portfolio	12,341	35.66	440	1.20	2.64	3.53

A summary of unit values, units outstanding and certain financial performance information for each subaccount for variable annuity contracts and the expense ratios, excluding expenses of the underlying funds, for the year ended December 31, 2016 is as follows:

		Units	Net Assets Unit Value	Net Assets (000's)	Expenses as a % of Average Net Assets #	Income as a % of Average Net Assets	Total Return
	Janus Aspen Janus Portfolio	61,790	$ 11.28	$ 697	1.20 %	0.53 %	(0.69) %
	Janus Aspen Enterprise Portfolio	103,368	111.05	11,479	1.20	0.14	11.03
	Janus Aspen Forty Portfolio	64,112	17.22	1,104	1.20	-	0.98
	Janus Aspen Global Research Portfolio	38,513	8.61	332	1.20	1.09	0.85
	Janus Aspen Balanced Portfolio	49,036	21.24	1,042	1.20	2.19	3.36
***	T. Rowe Price Government Money Portfolio	37,993	20.10	764	1.20	-	(1.19)
	T. Rowe Price Limited Term Bond Portfolio	26,371	36.69	967	1.20	1.36	0.16
	T. Rowe Price Equity Income Portfolio	52,703	25.42	1,340	1.20	2.29	17.76
	T. Rowe Price Personal Strategy Balanced Portfolio	68,904	65.50	4,513	1.20	1.65	5.19
	T. Rowe Price Mid-Cap Growth Portfolio	17,946	35.10	630	1.20	-	5.00
	T. Rowe Price International Stock Portfolio	17,726	11.06	196	1.20	1.06	0.91
	Vanguard Balanced Portfolio	31,890	24.79	790	1.20	2.53	9.70
	Vanguard Equity Index Portfolio	14,289	22.99	329	1.20	2.28	10.49
	Vanguard High Yield Bond Portfolio	7,422	21.13	157	1.20	5.30	10.03
	Vanguard Small Company Growth Portfolio	16,540	27.95	462	1.20	0.35	13.58
	Vanguard Mid-Cap Index Portfolio	16,750	29.07	487	1.20	1.32	9.80
	Vanguard REIT Index Portfolio	15,167	34.45	522	1.20	2.36	7.07

Excluding the effect of the expenses of the underlying fund portfolios and administrative fees charged directly to contract holder accounts.

** Formerly Janus Aspen Janus Portfolio
*** Formerly T. Rowe Price Prime Reserve Portfolio

A summary of unit values, units outstanding and certain financial performance information for each subaccount for variable annuity contracts and the expense ratios, excluding expenses of the underlying funds, for the year ended December 31, 2015 is as follows:

		Net Assets		Expenses as a % of Average Net Assets #	Income as a % of Average Net Assets	Total Return
	Units	Unit Value	(000's)			
Janus Aspen Janus Portfolio	68,637	$ 11.36	$ 780	1.20 %	0.63 %	4.09 %
Janus Aspen Enterprise Portfolio	110,889	100.02	11,091	1.20	0.65	2.79
Janus Aspen Forty Portfolio	64,538	17.05	1,101	1.20	-	10.88
Janus Aspen Global Research Portfolio	42,533	8.54	363	1.20	0.63	(3.46)
Janus Aspen Balanced Portfolio	53,168	20.55	1,093	1.20	1.57	(0.58)
T. Rowe Price Prime Reserve Portfolio	39,421	20.34	802	1.20	-	(1.20)
T. Rowe Price Limited Term Bond Portfolio	29,233	36.63	1,071	1.20	1.15	(0.89)
T. Rowe Price Equity Income Portfolio	60,109	21.59	1,298	1.20	1.82	(7.97)
T. Rowe Price Personal Strategy Balanced Portfolio	76,951	62.27	4,792	1.20	1.71	(1.24)
T. Rowe Price Mid-Cap Growth Portfolio	21,408	33.43	716	1.20	-	5.29
T. Rowe Price International Stock Portfolio	18,243	10.96	200	1.20	0.90	(2.09)
Vanguard Balanced Portfolio	33,009	22.60	746	1.20	2.45	(1.11)
Vanguard Equity Index Portfolio	15,352	20.81	319	1.20	2.00	0.05
Vanguard High Yield Bond Portfolio	7,920	19.20	152	1.20	6.69	(2.75)
Vanguard Small Company Growth Portfolio	17,269	24.61	425	1.20	0.42	(3.92)
Vanguard Mid-Cap Index Portfolio	15,961	26.47	423	1.20	1.28	(2.62)
Vanguard REIT Index Portfolio	13,474	32.17	433	1.20	1.82	1.00

A summary of unit values, units outstanding and certain financial performance information for each subaccount for variable annuity contracts and the expense ratios, excluding expenses of the underlying funds, for the year ended December 31, 2014 is as follows:

		Net Assets		Expenses as a % of Average Net Assets #	Income as a % of Average Net Assets	Total Return
	Units	Unit Value	(000's)			
Janus Aspen Janus Portfolio	72,338	$ 10.91	$ 789	1.20 %	0.36 %	11.66 %
Janus Aspen Enterprise Portfolio	130,682	97.30	12,716	1.20	0.16	11.19
Janus Aspen Forty Portfolio	72,323	15.38	1,112	1.20	0.16	7.44
Janus Aspen Global Research Portfolio	50,489	8.85	447	1.20	1.09	6.17
Janus Aspen Balanced Portfolio	62,943	20.67	1,301	1.20	1.75	7.22
T. Rowe Price Prime Reserve Portfolio	51,820	20.58	1,067	1.20	-	(1.19)
T. Rowe Price Limited Term Bond Portfolio	42,200	36.95	1,559	1.20	1.27	(0.56)
T. Rowe Price Equity Income Portfolio	64,919	23.46	1,523	1.20	1.74	6.10
T. Rowe Price Personal Strategy Balanced Portfolio	96,318	63.05	6,073	1.20	1.63	3.95
T. Rowe Price Mid-Cap Growth Portfolio	23,368	31.75	742	1.20	-	11.77
T. Rowe Price International Stock Portfolio	20,177	11.20	226	1.20	1.05	(2.41)
Vanguard Balanced Portfolio	35,971	22.85	822	1.20	2.39	8.54
Vanguard Equity Index Portfolio	24,131	20.80	502	1.20	1.88	12.16
Vanguard High Yield Bond Portfolio	17,032	19.75	336	1.20	3.34	3.16
Vanguard Small Company Growth Portfolio	22,818	25.62	585	1.20	0.31	2.15
Vanguard Mid-Cap Index Portfolio	18,334	27.19	498	1.20	0.92	12.25
Vanguard REIT Index Portfolio	13,658	31.85	435	1.20	3.31	28.57

Excluding the effect of the expenses of the underlying fund portfolios and administrative fees charged directly to contract holder accounts.

A summary of unit values, units outstanding and certain financial performance information for each subaccount for variable annuity contracts and the expense ratios, excluding expenses of the underlying funds, for the year ended December 31, 2013 is as follows:

		Net Assets		Expenses as a % of Average Net	Income as a % of Average Net	
	Units	Unit Value	(000's)	Assets #	Assets	Total Return
Janus Aspen Janus Portfolio	76,175	$ 9.77	$ 744	1.20 %	0.77 %	28.79 %
Janus Aspen Enterprise Portfolio	152,103	87.51	13,311	1.20	0.50	30.81
Janus Aspen Forty Portfolio	75,281	14.31	1,078	1.20	0.72	29.67
Janus Aspen Global Research Portfolio	54,452	8.33	454	1.20	1.22	26.90
Janus Aspen Balanced Portfolio	71,502	19.28	1,379	1.20	1.51	18.73
T. Rowe Price Prime Reserve Portfolio	54,229	20.83	1,130	1.20	-	(1.19)
T. Rowe Price Limited Term Bond Portfolio	50,762	37.16	1,886	1.20	1.55	(1.07)
T. Rowe Price Equity Income Portfolio	66,929	22.11	1,480	1.20	1.52	28.18
T. Rowe Price Personal Strategy Balanced Portfolio	108,680	60.66	6,592	1.20	1.48	16.53
T. Rowe Price Mid-Cap Growth Portfolio	24,133	28.41	686	1.20	-	35.08
T. Rowe Price International Stock Portfolio	21,744	11.47	249	1.20	0.87	12.69
Vanguard Balanced Portfolio	42,027	21.05	885	1.20	2.46	18.46
Vanguard Equity Index Portfolio	29,473	18.54	547	1.20	1.73	30.61
Vanguard High Yield Bond Portfolio	9,826	19.14	188	1.20	4.59	3.10
Vanguard Small Company Growth Portfolio	26,231	25.08	658	1.20	0.72	44.82
Vanguard Mid-Cap Index Portfolio	19,790	24.22	479	1.20	1.12	33.33
Vanguard REIT Index Portfolio	15,534	24.77	385	1.20	2.51	1.10

Excluding the effect of the expenses of the underlying fund portfolios and administrative fees charged directly to contract holder accounts.

8. Diversification Requirements

Under the provisions of Section 817(h) of the Internal Revenue Code of 1986 (the Code), as amended, a variable contract, other than a contract issued in connection with certain types of employee benefit plans, will not be treated as a variable contract for federal tax purposes for any period for which the investments of the segregated asset account on which the contract is based are not adequately diversified. Each subaccount is required to satisfy the requirements of Section 817(h). The Code provides that the "adequately diversified" requirement may be met if the underlying investments satisfy either the statutory safe harbor test or diversification requirements set forth in regulations issued by the Secretary of the Treasury.

The Secretary of the Treasury has issued regulations under Section 817(h) of the Code. The Variable Account intends that each of the subaccounts shall comply with the diversification requirements and, in the event of any failure to comply, will take immediate corrective action to assure compliance.

ANNUAL REPORT
December 31, 2017

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

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT Balanced Portfolio

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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 18.43% and 18.13%, respectively, for the 12-month period ended December 31, 2017, compared with 13.29% for the Balanced Index, an internally calculated benchmark that combines the total returns from the S&P 500® Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%). The S&P 500 Index returned 21.83% and the Bloomberg Barclays U.S. Aggregate Bond Index returned 3.54%.

INVESTMENT ENVIRONMENT

Stocks rallied over the course of the year fueled by a combination of strong corporate fundamentals and the expectation that the Trump administration would champion a pro-growth agenda. For their part, corporations delivered as both revenue and earnings results consistently exceeded consensus expectations. On the policy front, after early missteps and failure to pass health care reform, a tax deal was signed into law by the end of the period. Economic data reinforced the notion that conditions remained favorable for risk assets. Changes in non-farm payrolls averaged 172,000 for reports released during the period. After sliding from 1.8% to 1.3%, year-over-year core inflation rebounded to 1.5% by period end. The Federal Reserve (Fed) raised interest rates three times throughout the year and began normalizing its balance sheet late in the period. Investors were reassured that the central bank's methodical cadence in unwinding accommodative monetary policy would continue under Jerome Powell, the nominee for the next Fed chairman. On a sector basis, within the S&P 500 Index, technology outpaced the broader market. Only energy and telecommunications failed to deliver positive returns.

Investment-grade corporate credit was the strongest-performing asset class in the Bloomberg Barclays U.S. Aggregate Bond Index, while asset-backed securities lagged. Spreads on investment-grade corporate credit reached post crisis tights amid investors' risk-on mindset. High-yield spreads also tightened. The Treasury curve flattened over the year. Fed-driven volatility pushed shorter-dated yields higher, the 10-year note ended 2017 near where it began, and the yield on the 30-year bond fell amid investors' reach for yield. The 10-year Treasury note yield closed December at 2.41%, compared with 2.44% one year ago.

PERFORMANCE DISCUSSION

The Portfolio, which seeks to provide more consistent returns over time by allocating across the spectrum of fixed income and equity securities, outperformed the Balanced Index, a blended benchmark of the S&P 500 Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%). The Portfolio underperformed its primary benchmark, the S&P 500 Index, and outperformed its secondary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index.

Compared to the Balanced Index, the Portfolio remains overweight equities, with a 62% allocation to stocks, approximately 37% in fixed income and a small portion in cash. Our year-end allocation reflects our view that on a risk-adjusted basis, equities present more attractive opportunities relative to fixed income. The equity weighting may vary based on market conditions.

The Portfolio's equity sleeve outperformed its benchmark, the S&P 500 Index. Growth equities performed well during the period, creating a tailwind for our growth tilt. At the sector level, stock selection in industrials and information technology aided relative returns. Our limited exposure to the poor-performing energy and telecommunications sectors also contributed to performance. Stock selection in the health care, consumer discretionary and financials sectors weighed on relative results.

Aerospace company Boeing was the top equity contributor to performance. Boeing benefited from

continued strength in global air traffic and strong demand for its 737 and 787 planes, as well as from optimism around its newly integrated services business, which combined its defense and commercial servicing facilities. We like Boeing's ability to generate free cash flow, which management often returns to shareholders. We also appreciate the multiple dividend increases throughout the period.

Microsoft also aided results. Our investment thesis in the technology company continues to play out as momentum in its cloud-based businesses, Azure and Office 365, led to strong earnings results. Microsoft continues to return cash to shareholders by way of dividends and share repurchases, and we believe tax reform will allow them to bring back much of their offshore cash balance. While the stock's valuation is now toward the higher end of its historic range, we continue to like the company's position as the second-largest provider of cloud-based IT services, and believe its strategic partnerships with clients provide a competitive advantage relative to peers.

Financial services firm Mastercard was another strong contributor. Our investment theme for Mastercard continues to play out, as the company has benefited from consumers and businesses switching from cash and check to plastic and electronic payments. The company continues to take market share, particularly outside of the U.S. where many markets have a lower penetration of electronic payments and are experiencing significantly faster growth in electronic purchase volume.

While pleased with the performance of our equity sleeve during the period, some holdings disappointed. Global pharmaceutical company Allergan was the largest equity detractor from performance. Patent disputes – which ultimately resulted in the invalidation of Allergan's patent – concerning Restasis, the firm's blockbuster medicine for dry eye, weighed on the stock. The arrival of a new competitor to the company's popular wrinkle treatment Botox created further negative sentiment. Given our concerns around these issues, we are reviewing our position.

Mattel was another detractor. The toy manufacturer faced excess inventory issues which resulted from a slowdown in toy sales during the 2016 holiday season. The company also cut its dividend over the period, which was negatively received by investors. More bad news impacted the stock when Toys "R" Us, a major customer, filed for bankruptcy late in the period.

Kroger, an American grocery retailer, also detracted, primarily due to increased competition within the grocery store industry. Amazon's acquisition of Whole Foods and the subsequent reduction of in-store prices created noise for all grocers over the period. German grocer Lidl also began expanding into the U.S. despite increased competition, we continue to have a favorable view of the company. The company should benefit from the passage of U.S. tax reform given its high effective tax rate. Kroger also continues to benefit from capital investments made to existing stores as well as its online "Clicklist" ordering platform that should allow it to remain on the leading edge of any potential online grocery transition.

The Portfolio's fixed income sleeve outperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. We spent the year emphasizing corporate issuers in traditionally defensive sectors, issuers with higher-quality business models, consistent free cash flow and management teams committed to sound balance sheets. We have been particularly concerned with the general complacency prevalent across markets, wary that any shift in sentiment would likely come with increased volatility. We are also mindful of how far spreads have tightened amid the extended innings of the credit cycle. While we are more constructive on both the economic outlook and corporate earnings growth in 2018, it is difficult to say how much optimism markets are already pricing in. Further, we anticipate spread tightening will be limited in the months ahead and carry (a measure of excess income) the primary driver of returns. As such, we continue to emphasize managing idiosyncratic risk and maintaining a diversified portfolio. While we anticipate the Fed's path to both rate and balance sheet normalization to remain gradual, moderately higher yields are likely. In light of our cautious stance on rates, we lowered duration in the fixed income sleeve over the latter half of the period, ending December at 94% of the benchmark.

Our positioning in Treasury securities was the leading contributor to relative outperformance. We remain biased to the 30-year bond to help balance our corporate credit exposure. This positioning aided performance as long-term yields rallied. With yields rising across the front end of the Treasury curve, our significant underweight allocation to Treasuries further supported results.

Our corporate credit allocation was also accretive. As spreads tightened, our overweight allocation to investment-grade corporates contributed positively to relative outperformance. Our emphasis on owning securities in the lowest tier of investment-grade ratings

was particularly beneficial, as "riskier" assets generally performed well during the period. For similar reasons, our out-of-index allocation to high yield was another leading contributor. Our focus on securities that can provide greater spread carry than the index supported results in both investment grade and high yield. However, our limited exposure to the duration of longer-dated corporate credit held back performance, while many benchmark constituents benefited from the decline in long-term rates.

At the credit sector level, banking and brokerage, asset managers and exchanges were among the largest relative contributors. Financials generally performed well throughout the period, benefiting from improved fundamentals, rising interest rates – which help pad net interest income – and the prospect of a more relaxed regulatory environment under the Trump administration. Security selection and our overweight allocations in both sectors aided relative results. At the individual issuer level, Neuberger Berman contributed positively to performance. The asset manager benefited from increased liquidity after the company issued a bond early in 2017. Although we continue to like the company's conservative management team and its commitment to reducing leverage, our target valuation was realized and we trimmed our position.

Financial services company Raymond James was another leading corporate credit contributor. Raymond James received credit ratings upgrades by both Standard & Poor's and Moody's over the period, creating positive investor sentiment. Further, the company continues to demonstrate its ability to attract advisors and assets and to strengthen its business for the long term. We like the stability of the company's business model and appreciate the management team's conservative approach to the balance sheet.

Electric utilities led relative sector detractors; our limited exposure to longer-dated securities held back results. We shifted our positioning in independent energy and ended the period with a zero weight allocation, which was a factor in that sector detracting from relative performance. Energy-related issuers generally benefited from climbing oil prices in the latter half of the year.

Broadcom was the leading corporate credit detractor on a relative basis. Our overweight position weighed on results as the semiconductor company made an unexpected bid for Qualcomm late in the period. Spreads widened under the assumption that much of the acquisition would be financed with debt. We believe the diversification will ultimately be positive for Broadcom. We also appreciate management's commitment to investment-grade ratings and the company's track record of rapid deleveraging after prior acquisitions.

At the asset class level, our out-of-index allocation to bank loans failed to keep pace with corporate bonds and weighed on relative results. Also detracting was our exposure to U.S. mortgage-backed securities, which lagged the performance of index constituents. Negligible exposure to government-related debt also held back performance. Government-related securities include government agency debt as well as debt issued by state-owned firms, including many emerging market issuers. Emerging markets generally performed well amid investors' risk-on appetite during the period.

OUTLOOK

We believe equities will continue to present more attractive risk-adjusted opportunities relative to fixed income as we start the new year. Barring a shock to the market, we expect the equity market to continue grinding higher. The predicted gradual pace of monetary normalization by Mr. Powell and the Fed should continue to foster a benign rate environment, which bodes well for stocks. Modest economic growth around the world adds to the favorable environment for equities, and a number of our holdings stand to benefit from tax reform. We remain focused on companies with strong growth prospects and those that are innovating through the use of technology to improve the efficiency and quality of product offerings.

We expect range-bound but moderately higher Treasury yields and a flatter curve, and within the fixed income sleeve, we intend to maintain duration modestly below that of the benchmark. However, we will continue in our tactical approach to yield curve positioning with a focus on capital preservation. While both the economic and corporate earnings outlooks remain constructive and supported by tax reform, we expect a lower return environment for corporate credit in 2018 compared with the previous two calendar years. Spread tightening will be moderate, in our view, and carry will be the primary driver of returns. Given rich valuations and the asymmetric risk profile of credit investing, security avoidance will be critical. As we balance our constructive fundamental outlook with the current valuation environment, we remain opportunistic, seeking to identify and capitalize on spread movements that create the potential for attractive returns. As always, our goal is to participate in spread tightening

while keeping capital preservation and strong risk-adjusted returns at the forefront.

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

Janus Henderson VIT Balanced Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Top Performers - Holdings

	Contribution
Boeing Co	3.48%
Microsoft Corp	2.09%
Mastercard Inc	1.93%
Adobe Systems Inc	1.66%
Alphabet Inc - Class C	1.17%

5 Bottom Performers - Holdings

	Contribution
Allergan PLC	-0.55%
Mattel Inc	-0.32%
Kroger Co	-0.22%
Colony NorthStar Inc	-0.13%
Outfront Media Inc	-0.03%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Industrials	4.00%	13.80%	10.15%
Energy	1.88%	1.08%	6.26%
Information Technology	1.13%	23.10%	22.79%
Telecom Services	0.61%	0.00%	2.21%
Utilities	0.33%	0.00%	3.17%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	S&P 500 Index Weighting
Health Care	-0.53%	11.95%	14.12%
Consumer Discretionary	-0.44%	17.73%	12.16%
Financials	-0.39%	12.16%	14.47%
Other**	-0.24%	1.04%	0.00%
Consumer Staples	0.06%	11.48%	8.85%

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

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

** Not a GICS classified sector.

Janus Henderson VIT Balanced Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Largest Equity Holdings - (% of Net Assets)

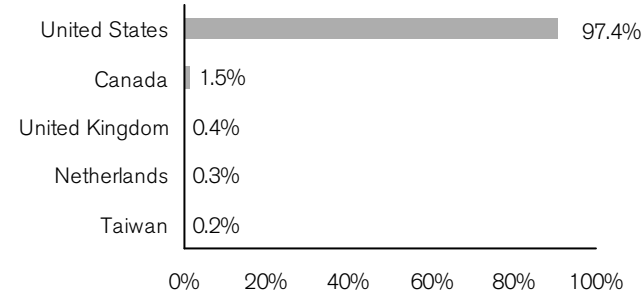
Microsoft Corp	
Software	3.5%
Mastercard Inc	
Information Technology Services	2.7%
Boeing Co	
Aerospace & Defense	2.6%
Alphabet Inc - Class C	
Internet Software & Services	2.3%
Altria Group Inc	
Tobacco	2.1%
	13.2%

Asset Allocation - (% of Net Assets)

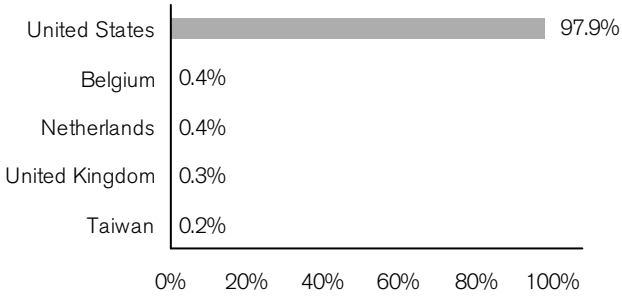
Common Stocks	62.0%
Corporate Bonds	16.0%
Mortgage-Backed Securities	9.1%
United States Treasury Notes/Bonds	8.0%
Investment Companies	3.0%
Asset-Backed/Commercial Mortgage-Backed Securities	2.9%
Bank Loans and Mezzanine Loans	1.1%
Other	(2.1)%
	100.0%

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

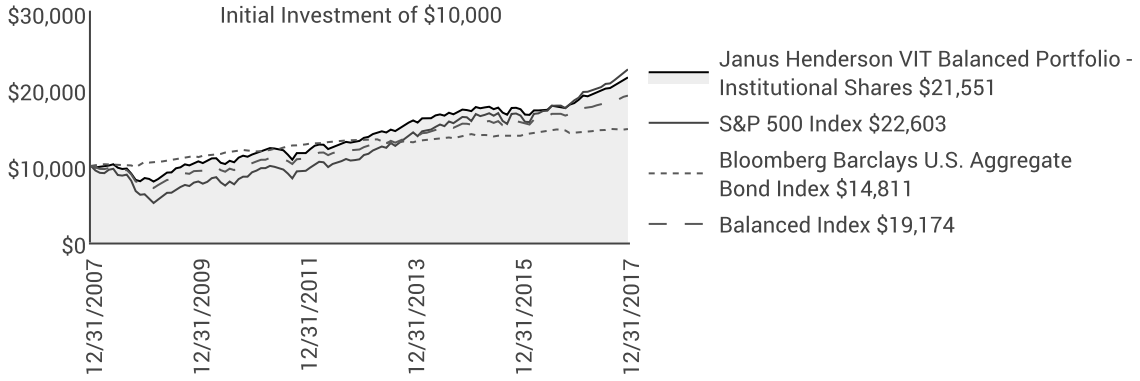
As of December 31, 2017



As of December 31, 2016



Janus Henderson VIT Balanced Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended December 31, 2017	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2017 prospectuses Total Annual Fund Operating Expenses
Institutional Shares	18.43%	10.20%	7.98%	9.94%	0.64%
Service Shares	18.13%	9.92%	7.71%	9.77%	0.89%
S&P 500 Index	21.83%	15.79%	8.50%	9.63%	
Bloomberg Barclays U.S. Aggregate Bond Index	3.54%	2.10%	4.01%	5.22%	
Balanced Index	13.29%	9.57%	6.73%	7.89%	
Morningstar Quartile - Institutional Shares	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Allocation - 50% to 70% Equity Funds	26/842	79/771	13/626	9/222	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 800.668.0434 or visit janushenderson.com/VITperformance.

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

Returns shown do not represent actual returns since they do not include insurance charges. Returns shown would have been lower had they included insurance charges.

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

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

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

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

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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 Balanced Portfolio (unaudited)
Performance

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

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

See "Useful Information About Your Portfolio Report."

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

Janus Henderson VIT Balanced Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. The example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

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

Hypothetical Example for Comparison Purposes
The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

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

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Net Annualized Expense Ratio (7/1/17 - 12/31/17)
Institutional Shares	$1,000.00	$1,091.60	$3.32	$1,000.00	$1,022.03	$3.21	0.63%
Service Shares	$1,000.00	$1,090.30	$4.58	$1,000.00	$1,020.82	$4.43	0.87%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 184/365 (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
December 31, 2017

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – 2.9%		
AmeriCredit Automobile Receivables 2016-1, 3.5900%, 2/8/22	$1,718,000	$1,745,603
AmeriCredit Automobile Receivables Trust 2015-2, 3.0000%, 6/8/21	1,180,000	1,191,727
AmeriCredit Automobile Receivables Trust 2016-2, 3.6500%, 5/9/22	1,165,000	1,185,070
Applebee's Funding LLC / IHOP Funding LLC, 4.2770%, 9/5/44 (144A)	6,035,873	5,872,146
BAMLL Commercial Mortgage Securities Trust 2013-WBRK, 3.5343%, 3/10/37 (144A)‡	2,000,000	2,032,314
BAMLL Commercial Mortgage Securities Trust 2014-FL1, ICE LIBOR USD 1 Month + 4.0000%, 5.4770%, 12/15/31 (144A)	198,000	192,712
BAMLL Commercial Mortgage Securities Trust 2014-FL1, ICE LIBOR USD 1 Month + 5.5000%, 6.9770%, 12/15/31 (144A)	824,955	784,408
BBCMS Trust 2015-SRCH, 4.1970%, 8/10/35 (144A)	2,486,000	2,680,694
BXP Trust 2017-GM, 3.3790%, 6/13/39 (144A)	1,105,000	1,128,134
Caesars Palace Las Vegas Trust 2017-VICI, 4.1384%, 10/15/34 (144A)	1,596,000	1,639,125
Caesars Palace Las Vegas Trust 2017-VICI, 4.3540%, 10/15/34 (144A)‡	2,263,000	2,197,245
Caesars Palace Las Vegas Trust 2017-VICI, 4.3540%, 10/15/34 (144A)‡	1,700,000	1,734,556
CGMS Commercial Mortgage Trust 2017-MDDR, ICE LIBOR USD 1 Month + 1.7500%, 3.2270%, 7/15/30 (144A)	934,000	934,392
CGMS Commercial Mortgage Trust 2017-MDDR, ICE LIBOR USD 1 Month + 2.5000%, 3.9770%, 7/15/30 (144A)	589,000	589,242
CKE Restaurant Holdings Inc, 4.4740%, 3/20/43 (144A)	3,013,221	3,019,111
Coinstar Funding LLC Series 2017-1, 5.2160%, 4/25/47 (144A)	790,030	820,282
DB Master Finance LLC, 3.6290%, 11/20/47 (144A)	901,000	906,875
DB Master Finance LLC, 4.0300%, 11/20/47 (144A)	1,063,000	1,085,961
Domino's Pizza Master Issuer LLC, 3.4840%, 10/25/45 (144A)	3,085,020	3,095,756
Domino's Pizza Master Issuer LLC, 3.0820%, 7/25/47 (144A)	450,870	445,919
Domino's Pizza Master Issuer LLC, 4.1180%, 7/25/47 (144A)	2,314,200	2,364,372
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 3.0000%, 4.5521%, 7/25/24	2,577,672	2,755,287
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 4.9000%, 6.4521%, 11/25/24	1,407,411	1,610,302
Fannie Mae Connecticut Avenue Securities, ICE LIBOR USD 1 Month + 4.0000%, 5.5521%, 5/25/25	524,048	569,385
Freddie Mac Structured Agency Credit Risk Debt Notes, ICE LIBOR USD 1 Month + 4.5000%, 6.0521%, 2/25/24	3,675,000	4,292,961
Freddie Mac Structured Agency Credit Risk Debt Notes, ICE LIBOR USD 1 Month + 3.6000%, 5.1521%, 4/25/24	2,525,620	2,817,523
FREMF 2010 K-SCT Mortgage Trust, 2.0000%, 1/25/20 (144A)§	1,042,523	979,433
GS Mortgage Securities Corp II, 3.5911%, 9/10/37 (144A)‡	1,433,000	1,459,325
GS Mortgage Securities Trust 2014-GSFL, ICE LIBOR USD 1 Month + 5.9500%, 7.4270%, 7/15/31 (144A)	992,000	994,833
GSCCRE Commercial Mortgage Trust 2015-HULA, ICE LIBOR USD 1 Month + 4.4000%, 5.8770%, 8/15/32 (144A)	1,558,000	1,562,890
Houston Galleria Mall Trust 2015-HGLR, 3.0866%, 3/5/37 (144A)	795,000	786,970
Jimmy Johns Funding LLC, 4.8460%, 7/30/47 (144A)	1,746,623	1,749,679
JP Morgan Chase Commercial Mortgage Securities Trust 2010-C2, 5.6616%, 11/15/43 (144A)‡	933,000	935,402
JP Morgan Chase Commercial Mortgage Securities Trust 2015-UES, 3.6210%, 9/5/32 (144A)‡	1,084,000	1,081,171
JP Morgan Chase Commercial Mortgage Securities Trust 2016-WIKI, 3.5537%, 10/5/31 (144A)	336,000	337,900
JP Morgan Chase Commercial Mortgage Securities Trust 2016-WIKI, 4.0090%, 10/5/31 (144A)‡	513,000	515,353
LB-UBS Commercial Mortgage Trust 2006-C1, 5.2760%, 2/15/41‡	2,850	2,851
LB-UBS Commercial Mortgage Trust 2008-C1, 6.3193%, 4/15/41‡	1,162,000	1,154,625
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 0.8000%, 2.3521%, 11/25/50 (144A)§	3,088,000	3,088,000
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 1.0000%, 2.5521%, 11/25/50 (144A)§	772,000	772,000
MAD Mortgage Trust 2017-330M, 3.2944%, 8/15/34 (144A)‡	839,000	843,973
MSSG Trust 2017-237P, 3.3970%, 9/13/39 (144A)	1,870,000	1,893,297

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

	Shares or Principal Amounts	Value
Asset-Backed/Commercial Mortgage-Backed Securities – (continued)		
MSSG Trust 2017-237P, 3.6900%, 9/13/39 (144A)	$327,000	$330,643
OSCAR US Funding Trust V, 2.7300%, 12/15/20 (144A)	570,000	568,944
OSCAR US Funding Trust V, 2.9900%, 12/15/23 (144A)	806,000	802,661
Santander Drive Auto Receivables Trust 2013-4, 4.6700%, 1/15/20 (144A)	2,189,000	2,193,671
Santander Drive Auto Receivables Trust 2013-A, 4.7100%, 1/15/21 (144A)	1,166,000	1,173,910
Santander Drive Auto Receivables Trust 2015-1, 3.2400%, 4/15/21	1,237,000	1,249,912
Santander Drive Auto Receivables Trust 2015-4, 3.5300%, 8/16/21	2,120,000	2,156,500
Shops at Crystals Trust 2016-CSTL, 3.1255%, 7/5/36 (144A)	1,424,000	1,398,979
Starwood Retail Property Trust 2014-STAR, ICE LIBOR USD 1 Month + 2.5000%, 3.9770%, 11/15/27 (144A)	654,000	633,513
Starwood Retail Property Trust 2014-STAR, ICE LIBOR USD 1 Month + 3.2500%, 4.7270%, 11/15/27 (144A)	1,997,000	1,889,638
Starwood Retail Property Trust 2014-STAR, ICE LIBOR USD 1 Month + 4.1500%, 5.6270%, 11/15/27 (144A)	1,059,000	976,187
Station Place Securitization Trust 2017-3, ICE LIBOR USD 1 Month + 1.0000%, 2.2942%, 7/24/18 (144A)[§]	3,142,000	3,142,521
Taco Bell Funding LLC, 3.8320%, 5/25/46 (144A)	2,263,350	2,294,064
Wachovia Bank Commercial Mortgage Trust Series 2007-C30, 5.4130%, 12/15/43[‡]	1,239,935	1,264,784
Wachovia Bank Commercial Mortgage Trust Series 2007-C31, 5.6600%, 4/15/47[‡]	1,635,799	1,660,810
Wachovia Bank Commercial Mortgage Trust Series 2007-C34, 6.0841%, 5/15/46[‡]	650,736	667,286
Wendys Funding LLC 2015-1, 3.3710%, 6/15/45 (144A)	3,705,703	3,715,634
Wendys Funding LLC 2018-1, 3.5730%, 3/15/48 (144A)	892,000	891,722
Wendys Funding LLC 2018-1, 3.8840%, 3/15/48 (144A)	1,267,000	1,267,891
Worldwide Plaza Trust 2017-WWP, 3.5263%, 11/10/36 (144A)	1,332,000	1,367,579
Total Asset-Backed/Commercial Mortgage-Backed Securities (cost $95,664,237)		95,495,653
Bank Loans and Mezzanine Loans – 1.1%		
Banking – 0%		
Vantiv LLC, ICE LIBOR USD + 2.0000%, 0%, 3/31/25	141,000	141,588
Basic Industry – 0.2%		
Axalta Coating Systems US Holdings Inc, ICE LIBOR USD + 2.0000%, 3.6934%, 6/1/24	5,228,300	5,244,874
Capital Goods – 0.1%		
Reynolds Group Holdings Inc, ICE LIBOR USD + 2.7500%, 4.0998%, 2/5/23	3,827,008	3,842,890
Communications – 0.3%		
Mission Broadcasting Inc, ICE LIBOR USD + 2.5000%, 3.8607%, 1/17/24	224,553	225,033
Nexstar Broadcasting Inc, ICE LIBOR USD + 2.5000%, 3.8607%, 1/17/24	1,778,282	1,782,088
Nielsen Finance LLC, ICE LIBOR USD + 2.0000%, 3.4319%, 10/4/23	2,204,483	2,212,749
Sinclair Television Group Inc, ICE LIBOR USD + 2.5000%, 0%, 12/12/24[(a)]	2,660,000	2,655,026
Zayo Group LLC, ICE LIBOR USD + 2.0000%, 3.5521%, 1/19/21	205,448	205,887
Zayo Group LLC, ICE LIBOR USD + 2.2500%, 3.8021%, 1/19/24	1,881,066	1,886,804
		8,967,587
Consumer Cyclical – 0.4%		
Aramark Services Inc, ICE LIBOR USD + 2.0000%, 3.5690%, 3/28/24	2,148,180	2,159,587
Golden Nugget Inc/NV, ICE LIBOR USD + 3.2500%, 4.7699%, 10/4/23	2,441,049	2,457,843
Hilton Worldwide Finance LLC, ICE LIBOR USD + 2.0000%, 3.5521%, 10/25/23	5,398,590	5,423,531
KFC Holding Co, ICE LIBOR USD + 2.0000%, 3.4908%, 6/16/23	5,023,321	5,049,493
		15,090,454
Consumer Non-Cyclical – 0%		
Post Holdings Inc, ICE LIBOR USD + 2.2500%, 3.8200%, 5/24/24	600,980	602,807
Quintiles IMS Inc, ICE LIBOR USD + 2.0000%, 3.6934%, 3/7/24	927,738	931,050
		1,533,857
Technology – 0.1%		
CommScope Inc, ICE LIBOR USD + 2.5000%, 3.3833%, 12/29/22	2,501,567	2,513,025
Total Bank Loans and Mezzanine Loans (cost $37,344,508)		37,334,275
Corporate Bonds – 16.0%		
Asset-Backed Securities – 0.1%		
American Tower Trust #1, 1.5510%, 3/15/18 (144A)	2,658,000	2,654,395

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Banking – 3.1%		
Ally Financial Inc, 3.2500%, 11/5/18	$1,453,000	$1,456,632
Ally Financial Inc, 8.0000%, 12/31/18	844,000	884,090
Bank of America Corp, 2.5030%, 10/21/22†	6,364,000	6,295,430
Bank of America Corp, ICE LIBOR USD 3 Month + 1.0900%, 3.0930%, 10/1/25	1,560,000	1,556,063
Bank of America Corp, 4.1830%, 11/25/27	3,075,000	3,210,243
Bank of America Corp, ICE LIBOR USD 3 Month + 1.8140%, 4.2440%, 4/24/38	3,096,000	3,355,204
Bank of New York Mellon Corp, 2.4500%, 8/17/26	505,000	479,481
Bank of New York Mellon Corp, 3.2500%, 5/16/27	4,014,000	4,056,014
Capital One Financial Corp, 3.3000%, 10/30/24	4,550,000	4,532,488
Citigroup Inc, ICE LIBOR USD 3 Month + 1.4300%, 2.9106%, 9/1/23	3,119,000	3,210,458
Citigroup Inc, 3.2000%, 10/21/26	1,916,000	1,900,498
Citigroup Inc, ICE LIBOR USD 3 Month + 1.5630%, 3.8870%, 1/10/28	5,465,000	5,655,143
Citizens Bank NA/Providence RI, 2.6500%, 5/26/22	1,287,000	1,275,069
Citizens Financial Group Inc, 3.7500%, 7/1/24	785,000	784,327
Citizens Financial Group Inc, 4.3500%, 8/1/25	613,000	637,460
Citizens Financial Group Inc, 4.3000%, 12/3/25	3,426,000	3,592,595
Discover Financial Services, 3.9500%, 11/6/24	1,494,000	1,525,776
Discover Financial Services, 3.7500%, 3/4/25	766,000	770,885
First Republic Bank/CA, 4.6250%, 2/13/47	1,158,000	1,237,324
Goldman Sachs Capital I, 6.3450%, 2/15/34	3,843,000	4,833,830
Goldman Sachs Group Inc, ICE LIBOR USD 3 Month + 1.2010%, 3.2720%, 9/29/25	4,031,000	4,013,838
Goldman Sachs Group Inc, 3.7500%, 2/25/26	1,236,000	1,267,930
Goldman Sachs Group Inc, 3.5000%, 11/16/26	5,508,000	5,538,850
JPMorgan Chase & Co, 2.2950%, 8/15/21	3,316,000	3,285,957
JPMorgan Chase & Co, 3.3750%, 5/1/23	4,252,000	4,321,354
JPMorgan Chase & Co, 3.8750%, 9/10/24	986,000	1,028,297
JPMorgan Chase & Co, ICE LIBOR USD 3 Month + 1.3370%, 3.7820%, 2/1/28	4,366,000	4,522,993
Morgan Stanley, ICE LIBOR USD 3 Month + 1.3400%, 3.5910%, 7/22/28	5,758,000	5,809,278
Santander UK PLC, 5.0000%, 11/7/23 (144A)	3,833,000	4,095,787
SVB Financial Group, 5.3750%, 9/15/20	2,429,000	2,595,873
Synchrony Financial, 4.5000%, 7/23/25	3,093,000	3,231,459
Synchrony Financial, 3.7000%, 8/4/26	3,473,000	3,423,187
Wells Fargo & Co, 3.0000%, 4/22/26	1,013,000	993,587
Wells Fargo & Co, 4.1000%, 6/3/26	3,276,000	3,434,386
Wells Fargo & Co, 4.3000%, 7/22/27	2,869,000	3,054,043
		101,865,829
Basic Industry – 0.8%		
CF Industries Inc, 4.5000%, 12/1/26 (144A)	2,557,000	2,664,730
Freeport-McMoRan Inc, 3.1000%, 3/15/20	885,000	879,469
Georgia-Pacific LLC, 3.1630%, 11/15/21 (144A)	4,027,000	4,098,387
Georgia-Pacific LLC, 3.6000%, 3/1/25 (144A)	2,166,000	2,225,550
Reliance Steel & Aluminum Co, 4.5000%, 4/15/23	2,039,000	2,148,999
Sherwin-Williams Co, 2.7500%, 6/1/22	912,000	908,345
Sherwin-Williams Co, 3.1250%, 6/1/24	1,057,000	1,062,598
Sherwin-Williams Co, 3.4500%, 6/1/27	2,960,000	3,006,483
Sherwin-Williams Co, 4.5000%, 6/1/47	767,000	837,817
Steel Dynamics Inc, 4.1250%, 9/15/25 (144A)	2,199,000	2,215,492
Steel Dynamics Inc, 5.0000%, 12/15/26	1,027,000	1,086,052
Teck Resources Ltd, 4.5000%, 1/15/21	919,000	947,673
Teck Resources Ltd, 4.7500%, 1/15/22	1,328,000	1,386,166
Teck Resources Ltd, 8.5000%, 6/1/24 (144A)	2,184,000	2,467,920
		25,935,681
Brokerage – 0.7%		
Cboe Global Markets Inc, 3.6500%, 1/12/27	3,023,000	3,112,753
Charles Schwab Corp, 3.0000%, 3/10/25	930,000	926,699
Charles Schwab Corp, 3.2000%, 1/25/28	1,880,000	1,882,373
E*TRADE Financial Corp, 2.9500%, 8/24/22	3,047,000	3,020,880
E*TRADE Financial Corp, 3.8000%, 8/24/27	2,680,000	2,670,487
Lazard Group LLC, 4.2500%, 11/14/20	1,625,000	1,692,443

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

Janus Henderson VIT Balanced Portfolio
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	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Brokerage – (continued)		
Neuberger Berman Group LLC / Neuberger Berman Finance Corp, 4.8750%, 4/15/45 (144A)	$562,000	$572,605
Raymond James Financial Inc, 5.6250%, 4/1/24	1,545,000	1,751,255
Raymond James Financial Inc, 3.6250%, 9/15/26	1,409,000	1,415,225
Raymond James Financial Inc, 4.9500%, 7/15/46	2,747,000	3,102,865
TD Ameritrade Holding Corp, 2.9500%, 4/1/22	1,355,000	1,371,067
TD Ameritrade Holding Corp, 3.6250%, 4/1/25	1,752,000	1,813,338
		23,331,990
Capital Goods – 0.8%		
Ball Corp, 4.3750%, 12/15/20	1,565,000	1,619,775
CNH Industrial Capital LLC, 3.6250%, 4/15/18	2,969,000	2,984,379
Huntington Ingalls Industries Inc, 5.0000%, 11/15/25 (144A)	698,000	746,860
Martin Marietta Materials Inc, 4.2500%, 7/2/24	1,531,000	1,610,086
Northrop Grumman Corp, 2.5500%, 10/15/22	3,184,000	3,160,880
Northrop Grumman Corp, 2.9300%, 1/15/25	2,741,000	2,724,058
Northrop Grumman Corp, 3.2500%, 1/15/28	3,368,000	3,371,865
Northrop Grumman Corp, 4.0300%, 10/15/47	2,154,000	2,248,975
Owens Corning, 4.2000%, 12/1/24	1,411,000	1,477,938
Owens Corning, 3.4000%, 8/15/26	678,000	665,301
Rockwell Collins Inc, 3.2000%, 3/15/24	1,356,000	1,366,112
Rockwell Collins Inc, 3.5000%, 3/15/27	2,319,000	2,360,487
Vulcan Materials Co, 7.5000%, 6/15/21	1,083,000	1,253,148
Vulcan Materials Co, 4.5000%, 4/1/25	2,597,000	2,766,765
		28,356,629
Communications – 2.1%		
American Tower Corp, 3.3000%, 2/15/21	2,413,000	2,457,028
American Tower Corp, 3.4500%, 9/15/21	249,000	254,473
American Tower Corp, 3.5000%, 1/31/23	443,000	452,904
American Tower Corp, 4.4000%, 2/15/26	1,580,000	1,661,098
American Tower Corp, 3.3750%, 10/15/26	2,919,000	2,867,077
AT&T Inc, 3.4000%, 8/14/24	2,139,000	2,149,510
AT&T Inc, 4.2500%, 3/1/27	993,000	1,012,006
AT&T Inc, 3.9000%, 8/14/27	1,774,000	1,785,342
AT&T Inc, 4.1000%, 2/15/28 (144A)	3,030,000	3,039,124
AT&T Inc, 5.2500%, 3/1/37	875,000	924,801
AT&T Inc, 5.1500%, 2/14/50	1,233,000	1,239,152
AT&T Inc, 5.3000%, 8/14/58	2,790,000	2,796,570
CCO Holdings LLC / CCO Holdings Capital Corp, 5.2500%, 3/15/21	2,252,000	2,290,002
CCO Holdings LLC / CCO Holdings Capital Corp, 5.1250%, 5/1/27 (144A)	810,000	797,850
CCO Holdings LLC / CCO Holdings Capital Corp, 5.0000%, 2/1/28 (144A)	3,954,000	3,845,265
Charter Communications Operating LLC / Charter Communications Operating Capital, 4.9080%, 7/23/25	3,939,000	4,186,940
Charter Communications Operating LLC / Charter Communications Operating Capital, 3.7500%, 2/15/28	942,000	901,666
Charter Communications Operating LLC / Charter Communications Operating Capital, 4.2000%, 3/15/28	1,989,000	1,968,794
Charter Communications Operating LLC / Charter Communications Operating Capital, 5.3750%, 5/1/47	1,026,000	1,051,145
Comcast Corp, 2.3500%, 1/15/27	1,917,000	1,809,873
Comcast Corp, 3.3000%, 2/1/27	1,371,000	1,398,305
Comcast Corp, 3.4000%, 7/15/46	332,000	313,812
Cox Communications Inc, 3.1500%, 8/15/24 (144A)	2,250,000	2,215,489
Cox Communications Inc, 3.3500%, 9/15/26 (144A)	3,038,000	2,968,054
Cox Communications Inc, 3.5000%, 8/15/27 (144A)	2,041,000	2,012,544
Crown Castle International Corp, 5.2500%, 1/15/23	1,968,000	2,154,559
Crown Castle International Corp, 3.2000%, 9/1/24	2,028,000	2,006,516
Crown Castle International Corp, 3.6500%, 9/1/27	3,680,000	3,669,899
NBCUniversal Media LLC, 4.4500%, 1/15/43	603,000	657,437
Time Warner Inc, 3.6000%, 7/15/25	1,929,000	1,932,863

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

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	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Communications – (continued)		
UBM PLC, 5.7500%, 11/3/20 (144A)	$3,166,000	$3,286,917
Verizon Communications Inc, 2.6250%, 8/15/26	6,068,000	5,713,784
Verizon Communications Inc, 4.1250%, 3/16/27	1,618,000	1,686,635
Verizon Communications Inc, 4.1250%, 8/15/46	2,241,000	2,068,380
Verizon Communications Inc, 4.8620%, 8/21/46	1,206,000	1,255,104
		70,830,918
Consumer Cyclical – 1.6%		
1011778 BC ULC / New Red Finance Inc, 4.6250%, 1/15/22 (144A)	3,214,000	3,290,332
1011778 BC ULC / New Red Finance Inc, 4.2500%, 5/15/24 (144A)	2,992,000	2,984,520
Amazon.com Inc, 2.8000%, 8/22/24 (144A)	1,501,000	1,496,094
Amazon.com Inc, 3.1500%, 8/22/27 (144A)	4,781,000	4,786,784
Amazon.com Inc, 4.0500%, 8/22/47 (144A)	1,780,000	1,916,468
CVS Health Corp, 2.8000%, 7/20/20	2,660,000	2,670,909
CVS Health Corp, 4.7500%, 12/1/22	1,198,000	1,283,048
DR Horton Inc, 3.7500%, 3/1/19	1,856,000	1,880,833
General Motors Co, 4.8750%, 10/2/23	2,289,000	2,476,713
General Motors Financial Co Inc, 3.9500%, 4/13/24†	6,217,000	6,399,017
IHO Verwaltungs GmbH, 4.1250%, 9/15/21 (144A)	515,000	524,012
IHO Verwaltungs GmbH, 4.5000%, 9/15/23 (144A)	376,000	383,287
IHS Markit Ltd, 5.0000%, 11/1/22 (144A)	1,496,000	1,621,963
IHS Markit Ltd, 4.7500%, 2/15/25 (144A)	1,997,000	2,106,835
IHS Markit Ltd, 4.0000%, 3/1/26 (144A)	3,421,000	3,416,724
McDonald's Corp, 3.5000%, 3/1/27	5,025,000	5,166,387
McDonald's Corp, 4.8750%, 12/9/45	1,719,000	1,989,603
MDC Holdings Inc, 5.5000%, 1/15/24	2,138,000	2,255,590
MGM Growth Properties Operating Partnership LP / MGP Finance Co-Issuer Inc, 5.6250%, 5/1/24	1,246,000	1,326,990
Tapestry Inc, 3.0000%, 7/15/22	986,000	982,390
Tapestry Inc, 4.1250%, 7/15/27	986,000	993,219
Toll Brothers Finance Corp, 4.0000%, 12/31/18	837,000	850,601
Toll Brothers Finance Corp, 5.8750%, 2/15/22	764,000	832,760
Toll Brothers Finance Corp, 4.3750%, 4/15/23	404,000	419,150
		52,054,229
Consumer Non-Cyclical – 1.8%		
Abbott Laboratories, 3.8750%, 9/15/25	474,000	490,153
Abbott Laboratories, 3.7500%, 11/30/26	766,000	786,366
Anheuser-Busch InBev Finance Inc, 2.6500%, 2/1/21	831,000	835,097
Anheuser-Busch InBev Finance Inc, 3.3000%, 2/1/23	3,808,000	3,896,162
Becton Dickinson and Co, 2.8940%, 6/6/22	1,516,000	1,506,327
Becton Dickinson and Co, 3.3630%, 6/6/24	3,373,000	3,381,700
Becton Dickinson and Co, 3.7000%, 6/6/27	2,393,000	2,410,765
Celgene Corp, 2.7500%, 2/15/23	1,848,000	1,832,480
Constellation Brands Inc, 4.7500%, 12/1/25	333,000	365,762
Constellation Brands, Inc., 4.2500%, 5/1/23	2,885,000	3,051,481
Danone SA, 2.0770%, 11/2/21 (144A)	2,758,000	2,697,576
Danone SA, 2.5890%, 11/2/23 (144A)	1,891,000	1,843,813
Express Scripts Holding Co, 3.5000%, 6/15/24	1,165,000	1,175,065
Express Scripts Holding Co, 3.4000%, 3/1/27	1,333,000	1,307,716
HCA Inc, 3.7500%, 3/15/19	1,542,000	1,555,492
HCA Inc, 5.0000%, 3/15/24	1,908,000	1,984,320
HCA Inc, 5.2500%, 6/15/26	1,708,000	1,810,480
HCA Inc, 4.5000%, 2/15/27	2,001,000	2,011,005
LifePoint Health Inc, 5.5000%, 12/1/21	200,000	204,000
McCormick & Co Inc/MD, 3.1500%, 8/15/24	2,729,000	2,742,852
McCormick & Co Inc/MD, 3.4000%, 8/15/27	2,080,000	2,106,621
Molson Coors Brewing Co, 3.0000%, 7/15/26	3,899,000	3,815,217
Post Holdings Inc, 5.7500%, 3/1/27 (144A)	1,238,000	1,259,665
Post Holdings Inc, 5.6250%, 1/15/28 (144A)	658,000	660,467
Reckitt Benckiser Treasury Services PLC, 2.7500%, 6/26/24 (144A)	1,891,000	1,849,605

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

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	Shares or Principal Amounts	Value
Corporate Bonds – (continued)		
Consumer Non-Cyclical – (continued)		
Shire Acquisitions Investments Ireland DAC, 2.4000%, 9/23/21	$1,837,000	$1,807,892
Shire Acquisitions Investments Ireland DAC, 3.2000%, 9/23/26	2,493,000	2,436,862
Sysco Corp, 2.5000%, 7/15/21	630,000	628,232
Sysco Corp, 3.3000%, 7/15/26	1,390,000	1,398,348
Sysco Corp, 3.2500%, 7/15/27	1,121,000	1,116,893
Universal Health Services Inc, 4.7500%, 8/1/22 (144A)	1,894,000	1,929,512
Wm Wrigley Jr Co, 2.4000%, 10/21/18 (144A)	3,916,000	3,926,943
		58,824,869
Electric – 0.7%		
Dominion Energy Inc, 2.0000%, 8/15/21	366,000	357,616
Dominion Energy Inc, 2.8500%, 8/15/26	506,000	488,529
Duke Energy Corp, 1.8000%, 9/1/21	915,000	889,882
Duke Energy Corp, 2.4000%, 8/15/22	1,332,000	1,308,507
Duke Energy Corp, 2.6500%, 9/1/26	2,633,000	2,522,145
Duke Energy Corp, 3.1500%, 8/15/27	2,042,000	2,026,624
NextEra Energy Operating Partners LP, 4.2500%, 9/15/24 (144A)	405,000	412,087
NextEra Energy Operating Partners LP, 4.5000%, 9/15/27 (144A)	850,000	845,750
PPL Capital Funding Inc, 3.1000%, 5/15/26	3,249,000	3,179,059
PPL WEM Ltd / Western Power Distribution Ltd, 5.3750%, 5/1/21 (144A)	2,176,000	2,331,878
Southern Co, 2.3500%, 7/1/21	2,835,000	2,817,892
Southern Co, 2.9500%, 7/1/23	1,784,000	1,784,599
Southern Co, 3.2500%, 7/1/26	2,850,000	2,794,305
		21,758,873
Energy – 1.0%		
Andeavor Logistics LP / Tesoro Logistics Finance Corp, 5.2500%, 1/15/25	811,000	852,929
Columbia Pipeline Group Inc, 4.5000%, 6/1/25	998,000	1,062,372
Enbridge Energy Partners LP, 5.8750%, 10/15/25	1,467,000	1,661,183
Energy Transfer Equity LP, 4.2500%, 3/15/23	1,711,000	1,698,167
Energy Transfer Equity LP, 5.8750%, 1/15/24	1,604,000	1,688,210
Energy Transfer LP, 4.1500%, 10/1/20	1,412,000	1,458,000
Kinder Morgan Energy Partners LP, 5.0000%, 10/1/21	1,294,000	1,379,081
Kinder Morgan Energy Partners LP, 3.9500%, 9/1/22	1,383,000	1,427,113
Kinder Morgan Inc/DE, 6.5000%, 9/15/20	134,000	146,511
Motiva Enterprises LLC, 5.7500%, 1/15/20 (144A)	1,765,000	1,863,936
NGPL PipeCo LLC, 4.3750%, 8/15/22 (144A)	388,000	394,547
NGPL PipeCo LLC, 4.8750%, 8/15/27 (144A)	996,000	1,033,350
NuStar Logistics LP, 5.6250%, 4/28/27	2,174,000	2,212,045
Oceaneering International Inc, 4.6500%, 11/15/24	1,240,000	1,206,163
Phillips 66 Partners LP, 3.6050%, 2/15/25	1,548,000	1,559,265
Phillips 66 Partners LP, 3.7500%, 3/1/28	619,000	619,092
Phillips 66 Partners LP, 4.6800%, 2/15/45	551,000	565,468
Plains All American Pipeline LP / PAA Finance Corp, 4.6500%, 10/15/25	741,000	763,417
Plains All American Pipeline LP / PAA Finance Corp, 4.5000%, 12/15/26	718,000	727,645
Regency Energy Partners LP / Regency Energy Finance Corp, 5.8750%, 3/1/22	1,788,000	1,954,531
Sabine Pass Liquefaction LLC, 5.0000%, 3/15/27	2,769,000	2,970,574
TC PipeLines LP, 3.9000%, 5/25/27	2,107,000	2,116,932
Williams Cos Inc, 3.7000%, 1/15/23	894,000	889,530
Williams Partners LP, 3.7500%, 6/15/27	3,544,000	3,550,358
Williams Partners LP / ACMP Finance Corp, 4.8750%, 3/15/24	1,098,000	1,147,410
		34,947,829
Finance Companies – 0.1%		
Quicken Loans Inc, 5.2500%, 1/15/28 (144A)	3,209,000	3,167,925
Financial Institutions – 0.4%		
Jones Lang LaSalle Inc, 4.4000%, 11/15/22	2,686,000	2,829,508
Kennedy-Wilson Inc, 5.8750%, 4/1/24	5,195,000	5,363,837
LeasePlan Corp NV, 2.5000%, 5/16/18 (144A)	4,744,000	4,744,543
		12,937,888
Industrial – 0%		
Cintas Corp No 2, 4.3000%, 6/1/21	1,143,000	1,205,019

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Corporate Bonds – (continued)		
Insurance – 0.4%		
Aetna Inc, 2.8000%, 6/15/23	$1,264,000	$1,243,814
Centene Corp, 4.7500%, 5/15/22	183,000	189,863
Centene Corp, 6.1250%, 2/15/24	559,000	591,142
Centene Corp, 4.7500%, 1/15/25	794,000	807,895
UnitedHealth Group Inc, 2.3750%, 10/15/22	1,138,000	1,126,841
UnitedHealth Group Inc, 3.7500%, 7/15/25	2,171,000	2,287,735
UnitedHealth Group Inc, 3.1000%, 3/15/26	1,134,000	1,142,078
UnitedHealth Group Inc, 3.4500%, 1/15/27	833,000	861,463
UnitedHealth Group Inc, 3.3750%, 4/15/27	612,000	628,707
UnitedHealth Group Inc, 2.9500%, 10/15/27	2,202,000	2,194,895
WellCare Health Plans Inc, 5.2500%, 4/1/25	2,183,000	2,303,065
		13,377,498
Real Estate Investment Trusts (REITs) – 0.5%		
Alexandria Real Estate Equities Inc, 2.7500%, 1/15/20	1,328,000	1,333,526
Alexandria Real Estate Equities Inc, 4.6000%, 4/1/22	3,339,000	3,545,221
Alexandria Real Estate Equities Inc, 4.5000%, 7/30/29	1,809,000	1,916,983
Digital Realty Trust LP, 3.7000%, 8/15/27	1,193,000	1,201,327
Senior Housing Properties Trust, 6.7500%, 4/15/20	756,000	802,890
Senior Housing Properties Trust, 6.7500%, 12/15/21	840,000	929,431
SL Green Realty Corp, 5.0000%, 8/15/18	1,894,000	1,917,199
SL Green Realty Corp, 7.7500%, 3/15/20	3,720,000	4,092,870
		15,739,447
Technology – 1.8%		
Broadcom Corp / Broadcom Cayman Finance Ltd, 3.6250%, 1/15/24 (144A)	2,112,000	2,099,710
Broadcom Corp / Broadcom Cayman Finance Ltd, 3.8750%, 1/15/27 (144A)†	8,579,000	8,439,789
Cadence Design Systems Inc, 4.3750%, 10/15/24	4,174,000	4,427,365
Equifax Inc, 2.3000%, 6/1/21	727,000	709,557
Equifax Inc, 3.3000%, 12/15/22	2,536,000	2,519,189
First Data Corp, 7.0000%, 12/1/23 (144A)	2,991,000	3,162,982
Iron Mountain Inc, 4.8750%, 9/15/27 (144A)	3,574,000	3,574,000
Iron Mountain Inc, 5.2500%, 3/15/28 (144A)	2,885,000	2,870,575
NXP BV / NXP Funding LLC, 4.1250%, 6/15/20 (144A)	902,000	923,675
NXP BV / NXP Funding LLC, 4.1250%, 6/1/21 (144A)	687,000	700,740
NXP BV / NXP Funding LLC, 3.8750%, 9/1/22 (144A)	2,613,000	2,642,396
NXP BV / NXP Funding LLC, 4.6250%, 6/1/23 (144A)	1,500,000	1,569,000
Total System Services Inc, 3.8000%, 4/1/21	1,610,000	1,650,045
Total System Services Inc, 4.8000%, 4/1/26	2,865,000	3,098,865
Trimble Inc, 4.7500%, 12/1/24†	5,305,000	5,724,098
TSMC Global Ltd, 1.6250%, 4/3/18 (144A)	6,525,000	6,513,392
Verisk Analytics Inc, 4.8750%, 1/15/19	1,750,000	1,791,869
Verisk Analytics Inc, 5.8000%, 5/1/21	2,601,000	2,829,940
Verisk Analytics Inc, 4.1250%, 9/12/22	1,574,000	1,643,020
Verisk Analytics Inc, 5.5000%, 6/15/45	1,854,000	2,158,292
VMware Inc, 3.9000%, 8/21/27	1,175,000	1,185,801
		60,234,300
Transportation – 0.1%		
Penske Truck Leasing Co Lp / PTL Finance Corp, 3.3750%, 3/15/18 (144A)	2,579,000	2,586,656
Total Corporate Bonds (cost $523,741,092)		529,809,975
Mortgage-Backed Securities – 9.1%		
Fannie Mae Pool:		
6.0000%, 10/1/35	607,044	688,050
6.0000%, 12/1/35	710,144	806,518
6.0000%, 2/1/37	122,624	141,002
6.0000%, 10/1/38	448,240	505,345
5.5000%, 12/1/39	974,790	1,075,109
5.5000%, 3/1/40	853,420	953,810
5.5000%, 4/1/40	1,871,034	2,058,482
5.5000%, 2/1/41	497,824	556,417

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Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
5.0000%, 5/1/41	$1,006,260	$1,086,466
5.5000%, 5/1/41	661,419	728,965
5.5000%, 6/1/41	1,118,766	1,231,998
5.5000%, 6/1/41	949,158	1,059,106
5.5000%, 7/1/41	111,696	123,000
5.5000%, 12/1/41	893,170	984,968
5.5000%, 2/1/42	3,861,885	4,252,403
4.5000%, 6/1/42	294,265	314,606
4.5000%, 11/1/42	482,380	520,588
3.5000%, 2/1/43	3,520,937	3,630,829
3.5000%, 2/1/43	840,976	867,265
3.5000%, 4/1/44	1,623,579	1,681,658
5.5000%, 5/1/44	877,299	966,086
5.0000%, 7/1/44	110,074	120,865
4.5000%, 10/1/44	1,146,939	1,244,057
3.5000%, 2/1/45	3,421,209	3,528,480
4.5000%, 3/1/45	1,906,542	2,068,208
4.5000%, 6/1/45	1,094,169	1,171,412
4.5000%, 9/1/45	662,259	718,429
3.0000%, 10/1/45	831,793	832,415
3.0000%, 10/1/45	529,679	530,054
3.5000%, 12/1/45	1,064,074	1,101,999
3.0000%, 1/1/46	107,607	107,691
3.5000%, 1/1/46	2,989,651	3,096,206
3.5000%, 1/1/46	2,592,328	2,684,722
3.0000%, 3/1/46	3,581,220	3,583,755
3.0000%, 3/1/46	2,409,912	2,411,618
4.0000%, 5/31/46	57,918,000	60,599,603
3.5000%, 7/1/46	1,912,203	1,976,469
3.5000%, 7/1/46	1,878,666	1,943,431
4.5000%, 7/1/46	1,312,394	1,415,218
3.5000%, 8/1/46	1,134,896	1,169,912
4.0000%, 8/1/46	140,059	148,251
4.0000%, 8/1/46	119,502	126,492
4.0000%, 8/1/46	90,696	96,001
4.0000%, 10/1/46	1,304,568	1,379,761
3.0000%, 11/1/46	570,206	571,725
3.0000%, 11/1/46	536,032	537,463
4.5000%, 11/1/46	519,766	561,809
3.5000%, 12/1/46	187,884	193,609
3.5000%, 12/1/46	43,747	45,080
4.5000%, 12/1/46	1,139,539	1,225,062
3.5000%, 1/1/47	703,052	724,475
3.5000%, 1/1/47	126,068	129,909
3.5000%, 1/1/47	84,988	87,578
3.0000%, 2/1/47	4,600,073	4,628,590
4.5000%, 2/1/47	2,072,211	2,235,204
4.0000%, 3/1/47	188,070	199,002
4.0000%, 3/1/47	50,483	53,413
4.0000%, 3/1/47	49,099	51,938
4.0000%, 4/1/47	245,230	259,031
4.0000%, 4/1/47	196,461	207,862
4.0000%, 4/1/47	173,896	183,682
4.0000%, 5/1/47	17,116,692	18,102,020
4.0000%, 5/1/47	702,660	735,688
4.0000%, 5/1/47	260,874	275,555
4.0000%, 5/1/47	205,131	217,035
4.0000%, 5/1/47	161,408	170,775
4.0000%, 5/1/47	67,198	71,144

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

	Shares or Principal Amounts	*Value*
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
4.5000%, 5/1/47	$342,595	$370,901
4.5000%, 5/1/47	282,107	304,391
4.5000%, 5/1/47	276,870	298,334
4.5000%, 5/1/47	208,517	225,828
4.5000%, 5/1/47	194,023	209,064
4.5000%, 5/1/47	169,769	183,705
4.5000%, 5/1/47	95,555	103,257
4.5000%, 5/1/47	69,065	74,808
4.5000%, 5/1/47	62,530	67,658
3.0000%, 5/31/47	1,317,000	1,315,463
3.5000%, 5/31/47	12,877,000	13,207,416
3.5000%, 6/1/47	134,722	138,862
4.0000%, 6/1/47	757,670	800,308
4.0000%, 6/1/47	416,242	436,714
4.0000%, 6/1/47	372,301	393,735
4.0000%, 6/1/47	361,797	382,793
4.0000%, 6/1/47	356,559	374,647
4.0000%, 6/1/47	291,818	309,182
4.0000%, 6/1/47	176,158	184,823
4.0000%, 6/1/47	169,054	177,369
4.0000%, 6/1/47	133,488	141,381
4.0000%, 6/1/47	110,163	116,345
4.0000%, 6/1/47	80,141	83,926
4.0000%, 6/1/47	48,009	51,008
4.5000%, 6/1/47	1,284,099	1,383,646
4.5000%, 6/1/47	119,517	129,454
3.5000%, 7/1/47	264,946	273,235
3.5000%, 7/1/47	159,546	164,615
3.5000%, 7/1/47	118,404	122,417
3.5000%, 7/1/47	72,213	74,583
3.5000%, 7/1/47	71,539	74,018
4.0000%, 7/1/47	3,114,793	3,295,990
4.0000%, 7/1/47	777,501	821,255
4.0000%, 7/1/47	598,492	632,173
4.0000%, 7/1/47	559,273	591,472
4.0000%, 7/1/47	307,225	324,436
4.0000%, 7/1/47	299,500	317,091
4.0000%, 7/1/47	230,261	243,876
4.0000%, 7/1/47	165,312	175,021
4.0000%, 7/1/47	143,812	150,886
4.0000%, 7/1/47	142,897	151,290
4.0000%, 7/1/47	91,691	96,342
4.0000%, 7/1/47	81,130	85,478
4.5000%, 7/1/47	912,604	983,352
4.5000%, 7/1/47	814,580	877,729
4.5000%, 7/1/47	788,518	849,650
3.5000%, 8/1/47	985,567	1,013,013
3.5000%, 8/1/47	623,072	642,332
3.5000%, 8/1/47	569,732	587,833
3.5000%, 8/1/47	137,688	142,003
3.5000%, 8/1/47	119,462	123,257
4.0000%, 8/1/47	1,641,064	1,718,654
4.0000%, 8/1/47	1,352,162	1,416,094
4.0000%, 8/1/47	1,303,807	1,377,180
4.0000%, 8/1/47	1,280,292	1,352,341
4.0000%, 8/1/47	794,010	838,693
4.0000%, 8/1/47	592,576	626,872
4.0000%, 8/1/47	557,718	586,010
4.0000%, 8/1/47	343,681	362,004

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

	Shares or Principal Amounts	*Value*
Mortgage-Backed Securities – (continued)		
Fannie Mae Pool – (continued)		
4.0000%, 8/1/47	$244,692	$259,161
4.0000%, 8/1/47	148,450	155,477
4.5000%, 8/1/47	1,110,684	1,196,793
4.5000%, 8/1/47	211,510	227,907
3.5000%, 9/1/47	3,685,976	3,788,811
3.5000%, 9/1/47	579,820	599,506
4.0000%, 9/1/47	1,462,408	1,544,708
4.0000%, 9/1/47	938,584	991,405
4.0000%, 9/1/47	153,063	161,677
4.0000%, 9/1/47	85,744	90,753
4.5000%, 9/1/47	5,382,493	5,733,395
4.5000%, 9/1/47	1,106,210	1,191,975
4.5000%, 9/1/47	826,667	890,756
4.5000%, 9/1/47	724,531	780,703
3.5000%, 10/1/47	5,921,599	6,086,959
3.5000%, 10/1/47	2,413,032	2,480,414
3.5000%, 10/1/47	203,414	210,014
3.5000%, 10/1/47	180,434	186,560
3.5000%, 10/1/47	144,581	149,312
3.5000%, 10/1/47	84,754	87,835
4.0000%, 10/1/47	1,383,693	1,454,254
4.0000%, 10/1/47	644,136	680,385
4.0000%, 10/1/47	632,158	669,289
4.0000%, 10/1/47	619,358	654,214
4.0000%, 10/1/47	415,046	438,403
4.0000%, 10/1/47	327,117	346,331
4.5000%, 10/1/47	171,659	184,968
4.5000%, 10/1/47	79,622	85,795
3.0000%, 11/1/47	1,402,820	1,403,813
3.5000%, 11/1/47	388,861	402,426
3.5000%, 11/1/47	243,346	251,844
4.0000%, 11/1/47	935,046	982,481
4.0000%, 11/1/47	290,302	306,995
4.0000%, 11/1/47	151,465	160,456
4.5000%, 11/1/47	850,406	916,335
3.0000%, 12/1/47	608,000	608,430
3.0000%, 12/1/47	295,000	295,209
3.5000%, 12/1/47	812,000	838,947
3.5000%, 12/1/47	167,000	172,542
3.5000%, 5/1/56	4,534,004	4,665,753
		232,644,573
Freddie Mac Gold Pool:		
5.5000%, 10/1/36	400,212	447,739
6.0000%, 4/1/40	2,098,685	2,415,846
5.5000%, 8/1/41	2,058,086	2,330,874
5.5000%, 8/1/41	1,318,904	1,476,704
5.5000%, 9/1/41	284,678	311,697
5.0000%, 3/1/42	1,017,338	1,116,037
3.5000%, 2/1/44	1,316,059	1,356,516
4.5000%, 5/1/44	52,144	56,132
3.0000%, 1/1/45	1,198,481	1,200,480
4.5000%, 6/1/46	2,783,025	2,997,950
3.5000%, 7/1/46	3,717,617	3,852,388
3.0000%, 10/1/46	4,512,070	4,522,223
3.0000%, 12/1/46	4,556,636	4,566,897
4.0000%, 6/1/47	2,954,822	3,123,904
4.0000%, 8/1/47	2,904,237	3,041,149
3.5000%, 9/1/47	3,535,392	3,648,280
3.5000%, 9/1/47	2,571,010	2,645,459

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

	Shares or Principal Amounts	*Value*
Mortgage-Backed Securities – (continued)		
Freddie Mac Gold Pool – (continued)		
3.5000%, 9/1/47	$1,473,707	$1,516,379
3.5000%, 9/1/47	1,168,345	1,202,178
3.5000%, 9/1/47	1,137,665	1,176,190
4.0000%, 9/1/47	1,329,011	1,390,437
3.5000%, 10/1/47	3,138,219	3,229,091
3.5000%, 10/1/47	1,808,364	1,860,729
3.5000%, 12/1/47	4,733,766	4,892,610
		54,377,889
Ginnie Mae I Pool:		
4.0000%, 1/15/45	4,112,713	4,319,794
4.5000%, 8/15/46	4,782,838	5,150,843
4.0000%, 7/15/47	3,706,110	3,888,237
4.0000%, 8/15/47	746,728	783,481
		14,142,355
Ginnie Mae II Pool:		
4.5000%, 10/20/41	1,200,851	1,261,498
4.0000%, 8/20/47	391,534	411,254
4.0000%, 8/20/47	184,469	193,760
4.0000%, 8/20/47	93,490	98,199
		1,964,711
Total Mortgage-Backed Securities (cost $304,885,842)		303,129,528
United States Treasury Notes/Bonds – 8.0%		
1.2500%, 6/30/19	1,308,000	1,296,304
1.3750%, 7/31/19	320,000	317,561
1.2500%, 8/31/19	12,278,000	12,151,703
1.3750%, 9/30/19	17,675,000	17,520,645
1.5000%, 10/31/19	16,104,000	15,991,351
1.7500%, 11/30/19	56,812,000	56,666,419
1.6250%, 10/15/20	4,349,000	4,310,040
1.7500%, 11/15/20	18,167,000	18,061,149
1.8750%, 9/30/22	5,452,000	5,372,333
2.0000%, 11/30/22	1,779,000	1,762,558
2.0000%, 5/31/24	8,050,000	7,897,888
2.1250%, 9/30/24	1,619,000	1,598,255
2.2500%, 2/15/27	2,845,000	2,806,816
2.2500%, 8/15/27	7,629,000	7,519,343
2.2500%, 11/15/27	53,707,000	52,932,535
2.2500%, 8/15/46	16,454,000	14,825,437
3.0000%, 2/15/47	1,105,000	1,160,827
3.0000%, 5/15/47	5,919,000	6,216,185
2.7500%, 8/15/47	13,781,000	13,782,737
2.7500%, 11/15/47	22,867,000	22,878,777
Total United States Treasury Notes/Bonds (cost $264,287,955)		265,068,863
Common Stocks – 62.0%		
Aerospace & Defense – 4.4%		
Boeing Co	289,690	85,432,478
General Dynamics Corp†	144,086	29,314,297
Northrop Grumman Corp	101,335	31,100,725
		145,847,500
Air Freight & Logistics – 0.6%		
United Parcel Service Inc	178,897	21,315,578
Automobiles – 1.0%		
General Motors Co	812,944	33,322,575
Banks – 1.9%		
US Bancorp	1,146,685	61,439,382
Beverages – 0.6%		
Dr Pepper Snapple Group Inc	207,075	20,098,699

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Biotechnology – 1.9%		
AbbVie Inc	80,197	$7,755,852
Amgen Inc	321,831	55,966,411
		63,722,263
Capital Markets – 3.9%		
Blackstone Group LP	632,543	20,254,027
CME Group Inc	447,600	65,371,980
Morgan Stanley	216,067	11,337,035
TD Ameritrade Holding Corp	645,301	32,994,240
		129,957,282
Chemicals – 1.9%		
LyondellBasell Industries NV	576,948	63,648,903
Consumer Finance – 1.6%		
American Express Co	174,729	17,352,337
Synchrony Financial	948,449	36,619,616
		53,971,953
Equity Real Estate Investment Trusts (REITs) – 1.6%		
Colony NorthStar Inc	1,216,682	13,882,342
Crown Castle International Corp	140,945	15,646,304
Invitation Homes Inc	167,730	3,953,396
MGM Growth Properties LLC	331,181	9,653,926
Outfront Media Inc	461,539	10,707,705
		53,843,673
Food & Staples Retailing – 3.1%		
Costco Wholesale Corp	265,431	49,402,018
Kroger Co†	757,339	20,788,956
Sysco Corp	518,606	31,494,942
		101,685,916
Food Products – 0.7%		
Hershey Co	193,025	21,910,268
Health Care Equipment & Supplies – 2.3%		
Abbott Laboratories	560,904	32,010,791
Medtronic PLC	529,995	42,797,096
		74,807,887
Health Care Providers & Services – 0.8%		
Aetna Inc	153,095	27,616,807
Hotels, Restaurants & Leisure – 2.0%		
McDonald's Corp	123,127	21,192,619
Norwegian Cruise Line Holdings Ltd*	191,941	10,220,858
Six Flags Entertainment Corp	200,378	13,339,163
Starbucks Corp	363,596	20,881,318
		65,633,958
Household Products – 0.3%		
Kimberly-Clark Corp	73,033	8,812,162
Industrial Conglomerates – 1.8%		
Honeywell International Inc	379,502	58,200,427
Information Technology Services – 3.9%		
Accenture PLC	204,401	31,291,749
Automatic Data Processing Inc	73,938	8,664,794
Mastercard Inc	597,490	90,436,086
		130,392,629
Insurance – 0.6%		
Progressive Corp	323,761	18,234,220
Internet & Direct Marketing Retail – 1.3%		
Priceline Group Inc*	25,280	43,930,067
Internet Software & Services – 2.3%		
Alphabet Inc - Class C*	73,222	76,619,501
Leisure Products – 0.6%		
Hasbro Inc	167,700	15,242,253

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

	Shares or Principal Amounts	Value
Common Stocks – (continued)		
Leisure Products – (continued)		
Mattel Inc	290,043	$4,460,861
		19,703,114
Machinery – 0.4%		
Deere & Co	90,881	14,223,785
Media – 1.8%		
Comcast Corp	1,291,420	51,721,371
Madison Square Garden Co*	32,179	6,784,942
		58,506,313
Oil, Gas & Consumable Fuels – 1.1%		
Suncor Energy Inc	568,972	20,892,652
Suncor Energy Inc[¤]	468,279	17,195,318
		38,087,970
Personal Products – 0.8%		
Estee Lauder Cos Inc	196,469	24,998,716
Pharmaceuticals – 2.1%		
Allergan PLC	164,263	26,870,142
Bristol-Myers Squibb Co	259,444	15,898,728
Eli Lilly & Co	221,733	18,727,569
Merck & Co Inc	163,289	9,188,272
		70,684,711
Real Estate Investment Trusts (REITs) – 0%		
Colony American Homes III (144A)[¢,§]	639,963	41,108
Real Estate Management & Development – 0.8%		
CBRE Group Inc*	649,991	28,151,110
Road & Rail – 1.4%		
CSX Corp	823,966	45,326,370
Semiconductor & Semiconductor Equipment – 2.1%		
Intel Corp	922,077	42,563,074
Lam Research Corp	151,611	27,907,037
		70,470,111
Software – 5.6%		
Activision Blizzard Inc	120,144	7,607,518
Adobe Systems Inc*	303,516	53,188,144
Microsoft Corp	1,363,891	116,667,237
salesforce.com Inc*	96,027	9,816,840
		187,279,739
Specialty Retail – 1.9%		
Home Depot Inc	332,968	63,107,425
Technology Hardware, Storage & Peripherals – 1.8%		
Apple Inc	353,697	59,856,143
Textiles, Apparel & Luxury Goods – 1.0%		
NIKE Inc	514,864	32,204,743
Tobacco – 2.1%		
Altria Group Inc[†]	974,570	69,594,044
Total Common Stocks (cost $1,427,297,262)		2,057,247,052
Investment Companies – 3.0%		
Money Markets – 3.0%		
Janus Cash Liquidity Fund LLC, 1.2731%[∞,£] (cost $99,929,079)	99,929,079	99,929,079
Total Investments (total cost $2,753,149,975) – 102.1%		3,388,014,425
Liabilities, net of Cash, Receivables and Other Assets – (2.1)%		(70,998,887)
Net Assets – 100%		$3,317,015,538

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

Janus Henderson VIT Balanced Portfolio
Schedule of Investments
December 31, 2017

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

Country	*Value*	*% of Investment Securities*
United States	$3,300,011,964	97.4 %
Canada	49,164,581	1.5
United Kingdom	11,564,187	0.4
Netherlands	10,580,354	0.3
Taiwan	6,513,392	0.2
Belgium	4,731,259	0.1
France	4,541,389	0.1
Germany	907,299	0.0
Total	$3,388,014,425	100.0 %

Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income[1]	*Realized Gain/(Loss)*[1]	*Change in Unrealized Appreciation/ Depreciation*[1]	*Value at 12/31/17*
Investment Companies – 3.0%				
Investments Purchased with Cash Collateral from Securities Lending – 0%				
Janus Cash Collateral Fund LLC, 1.2573%∞	$ 246Δ	$ —	$ —	$ —
Money Markets – 3.0%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	399,707	—	—	99,929,079
Total Affiliated Investments – 3.0%	$ 399,953	$ —	$ —	$ 99,929,079

(1)For securities that were affiliated for a portion of the year ended December 31, 2017, this column reflects amounts for the entire year ended December 31, 2017 and not just the period in which the security was affiliated.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 12/31/17*
Investment Companies – 3.0%				
Investments Purchased with Cash Collateral from Securities Lending – 0%				
Janus Cash Collateral Fund LLC, 1.2573%∞	—	10,112,500	(10,112,500)	—
Money Markets – 3.0%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	14,816,076	1,163,129,804	(1,078,016,801)	99,929,079

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

Balanced Index	Balanced Index is an internally-calculated, hypothetical combination of total returns from the S&P 500® Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%).
Bloomberg Barclays U.S. Aggregate Bond Index	Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.
S&P 500® Index	S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
ICE	Intercontinental Exchange
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company
ULC	Unlimited Liability Company

144A Securities sold under Rule 144A of the Securities Act of 1933, as amended, are subject to legal and/or contractual restrictions on resale and may not be publicly sold without registration under the 1933 Act. Unless otherwise noted, these securities have been determined to be liquid under guidelines established by the Board of Trustees. The total value of 144A securities as of the year ended December 31, 2017 is $197,690,635, which represents 6.0% of net assets.

* Non-income producing security.

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

† A portion of this security has been segregated to cover margin or segregation requirements on open futures contracts, forward currency contracts, options contracts, short sales, swap agreements, and/or securities with extended settlement dates, the value of which, as of December 31, 2017, is $100,755,033.

‡ Variable or floating rate security, the interest rate of which adjusts periodically based on changes in current interest rates and prepayments on the underlying pool of assets. The interest rate shown is the current rate as of December 31, 2017.

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

°° Rate shown is the 7-day yield as of December 31, 2017.

¢ Security is valued using significant unobservable inputs.

£ The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.

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

§ Schedule of Restricted and Illiquid Securities (as of December 31, 2017)

	Acquisition Date	*Cost*	*Value*	*Value as a % of Net Assets*
FREMF 2010 K-SCT Mortgage Trust, 2.0000%, 1/25/20	4/29/13	$ 988,117	$ 979,433	0.0%
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 0.8000%, 2.3521%, 11/25/50	11/29/17	3,088,000	3,088,000	0.1
loanDepot Station Place Agency Securitization Trust 2017-1, ICE LIBOR USD 1 Month + 1.0000%, 2.5521%, 11/25/50	11/29/17	772,000	772,000	0.0
Station Place Securitization Trust 2017-3, ICE LIBOR USD 1 Month + 1.0000%, 2.2942%, 7/24/18	8/11/17	3,142,000	3,142,521	0.1
Colony American Homes III	1/30/13	50,678	41,108	0.0
Total		$ 8,040,795	$ 8,023,062	0.2%

The Portfolio has registration rights for certain restricted securities held as of December 31, 2017. The issuer incurs all registration costs.

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of December 31, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	***Level 2 - Other Significant Observable Inputs***	***Level 3 - Significant Unobservable Inputs***
Assets			
Investments in Securities:			
Asset-Backed/Commercial Mortgage-Backed Securities	$ -	$ 95,495,653	$ -
Bank Loans and Mezzanine Loans	-	37,334,275	-
Corporate Bonds	-	529,809,975	-
Mortgage-Backed Securities	-	303,129,528	-
United States Treasury Notes/Bonds	-	265,068,863	-
Common Stocks			
Oil, Gas & Consumable Fuels	20,892,652	17,195,318	-
Real Estate Investment Trusts (REITs)	-	-	41,108
All Other	2,019,117,974	-	-
Investment Companies	-	99,929,079	-
Total Assets	$ 2,040,010,626	$ 1,347,962,691	$ 41,108

Janus Henderson VIT Balanced Portfolio
Statement of Assets and Liabilities
December 31, 2017

Assets:		
Unaffiliated investments, at value[1]	$	3,288,085,346
Affiliated investments, at value[2]		99,929,079
Cash		1,578,125
Non-interested Trustees' deferred compensation		63,380
Receivables:		
Interest		7,828,790
Dividends		3,812,439
Investments sold		2,803,868
Portfolio shares sold		1,051,201
Dividends from affiliates		108,852
Other assets		26,695
Total Assets		3,405,287,775
Liabilities:		
Payables:		
Investments purchased		83,477,518
Advisory fees		1,589,785
Portfolio shares repurchased		859,048
12b-1 Distribution and shareholder servicing fees		628,136
Transfer agent fees and expenses		150,978
Non-interested Trustees' deferred compensation fees		63,380
Professional fees		41,297
Portfolio administration fees		22,546
Non-interested Trustees' fees and expenses		22,146
Custodian fees		6,589
Accrued expenses and other payables		1,410,814
Total Liabilities		88,272,237
Net Assets	$	3,317,015,538
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	2,577,496,618
Undistributed net investment income/(loss)		22,408,397
Undistributed net realized gain/(loss) from investments and foreign currency transactions		82,241,956
Unrealized net appreciation/(depreciation) of investments and non-interested Trustees' deferred compensation		634,868,567
Total Net Assets	$	3,317,015,538
Net Assets - Institutional Shares	$	429,402,812
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		12,175,445
Net Asset Value Per Share	$	35.27
Net Assets - Service Shares	$	2,887,612,726
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		77,861,596
Net Asset Value Per Share	$	37.09

(1) Includes cost of $2,653,220,896.
(2) Includes cost of $99,929,079.

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio
Statement of Operations
For the year ended December 31, 2017

Investment Income:		
Dividends	$	42,316,004
Interest		32,743,077
Dividends from affiliates		399,707
Affiliated securities lending income, net		246
Other income		190,362
Foreign tax withheld		(93,133)
Total Investment Income		75,556,263
Expenses:		
Advisory fees		16,146,587
12b-1Distribution and shareholder servicing fees:		
Service Shares		6,298,016
Transfer agent administrative fees and expenses:		
Institutional Shares		208,268
Service Shares		1,259,603
Other transfer agent fees and expenses:		
Institutional Shares		14,069
Service Shares		47,528
Portfolio administration fees		251,129
Shareholder reports expense		105,409
Non-interested Trustees' fees and expenses		79,757
Professional fees		68,045
Custodian fees		46,194
Registration fees		26,183
Other expenses		260,821
Total Expenses		24,811,609
Net Investment Income/(Loss)		50,744,654
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		91,650,385
Total Net Realized Gain/(Loss) on Investments		91,650,385
Change in Unrealized Net Appreciation/Depreciation:		
Investments and non-interested Trustees' deferred compensation		347,796,218
Total Change in Unrealized Net Appreciation/Depreciation		347,796,218
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	490,191,257

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio
Statements of Changes in Net Assets

		Year ended December 31, 2017		*Year ended December 31, 2016*
Operations:				
Net investment income/(loss)	$	50,744,654	$	41,128,282
Net realized gain/(loss) on investments		91,650,385		3,486,187
Change in unrealized net appreciation/depreciation		347,796,218		58,375,166
Net Increase/(Decrease) in Net Assets Resulting from Operations		490,191,257		102,989,635
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(6,674,911)		(9,062,439)
Service Shares		(36,152,398)		(39,619,594)
Total Dividends from Net Investment Income		(42,827,309)		(48,682,033)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(844,615)		(6,034,450)
Service Shares		(4,921,407)		(26,828,177)
Total Distributions from Net Realized Gain from Investment Transactions		(5,766,022)		(32,862,627)
Net Decrease from Dividends and Distributions to Shareholders		(48,593,331)		(81,544,660)
Capital Share Transactions:				
Institutional Shares		(37,543,596)		(42,473,989)
Service Shares		281,250,189		376,338,116
Net Increase/(Decrease) from Capital Share Transactions		243,706,593		333,864,127
Net Increase/(Decrease) in Net Assets		685,304,519		355,309,102
Net Assets:				
Beginning of period		2,631,711,019		2,276,401,917
End of period	$	3,317,015,538	$	2,631,711,019
Undistributed Net Investment Income/(Loss)	$	22,408,397	$	12,374,394

See Notes to Financial Statements.

Janus Henderson VIT Balanced Portfolio
Financial Highlights

Institutional Shares

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

Service Shares

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

* Total return not annualized for periods of less than one full year.
** Annualized for periods of less than one full year.
(1) Per share amounts are calculated based on average shares outstanding during the year or period.
(2) Portfolio Turnover Rate excludes TBA (to be announced) purchase and sales commitments.

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Henderson VIT Balanced Portfolio (formerly named Janus Aspen Balanced Portfolio) (the "Portfolio") is a series of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers 12 portfolios, each of which offers multiple share classes, with differing investment objectives and policies. The Portfolio seeks long-term capital growth, consistent with preservation of capital and balanced by current income. The Portfolio is classified as diversified, as defined in the 1940 Act.

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

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

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

Investment Valuation

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

Valuation Inputs Summary

FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. This standard

emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability and establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. These inputs are summarized into three broad levels:

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

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

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

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

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

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of December 31, 2017 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

The Portfolio did not hold a significant amount of Level 3 securities as of December 31, 2017.

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

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

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

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

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

2. Other Investments and Strategies

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

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

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

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and 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.

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 December 31, 2017.

- **Bank Loans -** Bank loans are obligations of companies or other entities entered into in connection with recapitalizations, acquisitions, and refinancings. The Portfolio's investments in bank loans are generally acquired as a participation interest in, or assignment of, loans originated by a lender or other financial institution. These investments may include institutionally-traded floating and fixed-rate debt securities.

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

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

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

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

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

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

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

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

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

The cash collateral invested by Janus Capital is disclosed in the Schedule of Investments (if applicable). Income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the lending agent are included as “Affiliated securities lending income, net” on the Statement of Operations. There were no securities on loan as of December 31, 2017.

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

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

3. Investment Advisory Agreements and Other Transactions with Affiliates

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

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

In addition, Janus Services provides or arranges for the provision of certain other internal administrative, recordkeeping, and shareholder relations services for the Portfolio. Janus Services is not compensated for these internal services

related to the shares, except for out-of-pocket costs. These amounts are disclosed as "Other transfer agent fees and expenses" on the Statement of Operations.

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

Janus Capital furnishes certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio and providing personnel to serve as officers to the Portfolio. The Portfolio reimburses Janus Capital for certain of its costs in providing these services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These costs include some or all of the salaries, fees, and expenses of Janus Capital employees and Portfolio officers, including the Portfolio's Chief Compliance Officer and compliance staff, who provide specified administration and compliance services to the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Total compensation of $17,105 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the year ended December 31, 2017. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of December 31, 2017 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the year ended December 31, 2017 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $416,450 were paid by the Trust to the Trustees under the Deferred Plan during the year ended December 31, 2017.

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

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the year ended December 31, 2017 can be found in a table 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 year ended December 31, 2017, the Portfolio engaged in cross trades amounting to $69,808,607 in purchases and $14,159,376 in sales, resulting in a net realized loss of $11,141. The net realized loss is included within the "Net Realized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

4. Federal Income Tax

The tax components of capital shown in the table below represent: (1) distribution requirements the Portfolio must satisfy under the income tax regulations; (2) losses or deductions the Portfolio may be able to offset against income and gains realized in future years; and (3) unrealized appreciation or depreciation of investments for federal income tax purposes.

Other book to tax differences primarily consist of deferred compensation. 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.

			Loss Deferrals			
Undistributed Ordinary Income	*Undistributed Long-Term Gains*	*Accumulated Capital Losses*	*Late-Year Ordinary Loss*	*Post-October Capital Loss*	*Other Book to Tax Differences*	*Net Tax Appreciation/ (Depreciation)*
$ 22,223,280	$ 89,253,515	$ -	$ -	$ -	$ (59,265)	$628,101,390

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of December 31, 2017 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ 2,759,913,035	$653,749,943	$(25,648,553)	$ 628,101,390

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. Certain permanent differences such as tax returns of capital and net investment losses noted below have been reclassified to capital.

For the year ended December 31, 2017

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 42,827,309	$ 5,766,022	$ -	$ -

For the year ended December 31, 2016

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 48,682,033	$ 32,862,627	$ -	$ -

Permanent book to tax basis differences may result in reclassifications between the components of net assets. These differences have no impact on the results of operations or net assets. The following reclassifications have been made to the Portfolio:

Increase/(Decrease) to Capital	*Increase/(Decrease) to Undistributed Net Investment Income/Loss*	*Increase/(Decrease) to Undistributed Net Realized Gain/Loss*
$ -	$ 2,116,658	$ (2,116,658)

5. Capital Share Transactions

	Year ended December 31, 2017		*Year ended December 31, 2016*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	525,764	$ 17,251,280	1,189,959	$ 34,459,931
Reinvested dividends and distributions	225,051	7,519,526	513,363	15,096,889
Shares repurchased	(1,895,270)	(62,314,402)	(3,158,269)	(92,030,809)
Net Increase/(Decrease)	(1,144,455)	$ (37,543,596)	(1,454,947)	$ (42,473,989)
Service Shares:				
Shares sold	12,641,440	$439,491,829	15,605,883	$491,558,526
Reinvested dividends and distributions	1,167,543	41,073,805	2,145,917	66,447,771
Shares repurchased	(5,816,644)	(199,315,445)	(5,844,123)	(181,668,181)
Net Increase/(Decrease)	7,992,339	$281,250,189	11,907,677	$376,338,116

6. Purchases and Sales of Investment Securities

For the year ended December 31, 2017, 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*
$916,763,559	$1,238,009,792	$ 1,303,957,452	$ 709,781,435

7. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X was August 1, 2017. This report incorporates the amendments to Regulation S-X.

The FASB issued Accounting Standards Update No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08") to amend the amortization period for certain purchased callable debt securities held at a premium. The guidance requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt

securities purchased at a discount will not be impacted. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating the impacts of ASU 2017-08 on the financial statements.

8. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. ("JCGI"), the direct parent of Janus Capital, and Henderson Group plc ("Henderson") announced that they had entered into an Agreement and Plan of Merger ("Merger Agreement") relating to the strategic combination of Henderson and JCGI (the "Merger"). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson merged with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson. The Merger was effective May 30, 2017.

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

On December 8, 2016, the Trustees approved, subject to shareholder approval, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger (the "Post-Merger Advisory Agreement"). At the same meeting, the Trustees approved submitting the Post-Merger Advisory Agreement, among other proposals, to Portfolio shareholders for approval.

Special Meeting(s) of Shareholders were held on April 6, 2017, and adjourned and reconvened on April 18, 2017.

Approval of Advisory Agreements

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

9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to December 31, 2017 and through the date of issuance of the Portfolio's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio's financial statements.

Janus Henderson VIT Balanced Portfolio
Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Janus Aspen Series and Shareholders of Janus Henderson VIT Balanced Portfolio:

Opinion on the Financial Statements
We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Janus Henderson VIT Balanced Portfolio (one of the portfolios constituting Janus Aspen Series, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statements of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado
February 16, 2018

We have served as the auditor of one or more investment companies in Janus Henderson Funds since 1990.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at janushenderson.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janushenderson.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Full Holdings

The Portfolio is required to disclose its complete holdings in the quarterly holdings report on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free) . Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 14 Funds that utilize subadvisers.

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

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which closed in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2018 through February 1, 2019, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the

agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

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

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

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

Asset Allocation Funds

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

quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

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

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

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

Money Market Funds

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

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

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

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

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

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

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

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of

that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

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

Alternative Funds

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

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

- For Janus Henderson Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson European Focus Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Value Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson All Asset Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Research Fund, the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were limited in accuracy by differences in complex size, business mix, institutional account orientation and other factors, after accepting these limitations, the level of profit earned by Janus Capital's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing certain of these Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

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

January 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the

investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

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

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

At a meeting held on January 26, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2017 through February 1, 2018, subject to earlier termination as provided for in each agreement.

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

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided

its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% of the Funds were in the top two Broadridge quartiles of performance.

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

Fixed-Income Funds and Money Market Funds

- For Janus Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the

bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

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

Alternative Fund

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

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.

- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

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

- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen Intech U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

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

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

Fixed-Income Funds and Money Market Funds

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

classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's

expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

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

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to

limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

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

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the

Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

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

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a

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

Janus Henderson VIT 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 December 31, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson in general.

Performance Overviews

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

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

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

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

Schedule of Investments

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

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

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

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

Statement of Assets and Liabilities

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

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

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

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

Statement of Operations

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

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

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

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

Statements of Changes in Net Assets

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

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

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

Financial Highlights

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

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

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

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

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

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

Janus Henderson VIT Balanced Portfolio
Shareholder Meeting (unaudited)

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

Proposals

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

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

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

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

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.946	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.342	90.950	9.050	0.000	0.000	100.000

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

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

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

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

Janus Henderson VIT Balanced Portfolio
Designation Requirements (unaudited)

For federal income tax purposes, the Portfolio designated the following for the year ended December 31, 2017:

Capital Gain Distributions	$5,766,022
Dividends Received Deduction Percentage	66%

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

The Portfolio's Statement of Additional Information includes additional information about the Trustees and officers and is available, without charge, by calling 1-877-335-2687.

The following are the Trustees and officers of the Trust, together with a brief description of their principal occupations during the last five years (principal occupations for certain Trustees may include periods over five years).

Each Trustee has served in that capacity since he or she was originally elected or appointed. The Trustees do not serve a specified term of office. Each Trustee will hold office until the termination of the Trust or his or her earlier death, resignation, retirement, incapacity, or removal. Under the Portfolio's Governance Procedures and Guidelines, the policy is for Trustees to retire no later than the end of the calendar year in which the Trustee turns 75. The Trustees review the Portfolio's Governance Procedures and Guidelines from time to time and may make changes they deem appropriate. The Portfolio's Nominating and Governance Committee will consider nominees for the position of Trustee recommended by shareholders. Shareholders may submit the name of a candidate for consideration by the Committee by submitting their recommendations to the Trust's Secretary. Each Trustee is currently a Trustee of one other registered investment company advised by Janus Capital: Janus Investment Fund. Collectively, these two registered investment companies consist of 58 series or funds.

The Trust's officers are elected annually by the Trustees for a one-year term. Certain officers also serve as officers of Janus Investment Fund. Certain officers of the Portfolio may also be officers and/or directors of Janus Capital. Except as otherwise disclosed, Portfolio officers receive no compensation from the Portfolio, except for the Portfolio's Chief Compliance Officer, as authorized by the Trustees.

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William F. McCalpin 151 Detroit Street Denver, CO 80206 DOB: 1957	Chairman Trustee	1/08-Present 6/02-Present	Managing Partner, Impact Investments, Athena Capital Advisors LLC (independent registered investment advisor) (since 2016) and Managing Director, Holos Consulting LLC (provides consulting services to foundations and other nonprofit organizations). Formerly, Chief Executive Officer, Imprint Capital (impact investment firm) (2013-2015) and Executive Vice President and Chief Operating Officer of The Rockefeller Brothers Fund (a private family foundation) (1998-2006).	63	Director of Mutual Fund Directors Forum (a non-profit organization serving independent directors of U.S. mutual funds), Chairman of the Board and Trustee of The Investment Fund for Foundations Investment Program (TIP) (consisting of 2 funds), and Director of the F.B. Heron Foundation (a private grantmaking foundation).

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Alan A. Brown 151 Detroit Street Denver, CO 80206 DOB: 1962	Trustee	1/13-Present	Executive Vice President, Institutional Markets, of Black Creek Group (private equity real estate investment management firm) (since 2012). Formerly, Executive Vice President and Co-Head, Global Private Client Group (2007-2010), Executive Vice President, Mutual Funds (2005-2007), and Chief Marketing Officer (2001-2005) of Nuveen Investments, Inc. (asset management).	63	Director of WTTW (PBS affiliate) (since 2003). Formerly, Director of MotiveQuest LLC (strategic social market research company) (2003-2016); Director of Nuveen Global Investors LLC (2007-2011); Director of Communities in Schools (2004-2010); and Director of Mutual Fund Education Alliance (until 2010).

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William D. Cvengros 151 Detroit Street Denver, CO 80206 DOB: 1948	Trustee	1/11-Present	Managing Member and Chief Executive Officer of SJC Capital, LLC (a personal investment company and consulting firm) (since 2002). Formerly, Venture Partner for The Edgewater Funds (a middle market private equity firm) (2002-2004); Chief Executive Officer and President of PIMCO Advisors Holdings L.P. (a publicly traded investment management firm) (1994-2000); and Chief Investment Officer of Pacific Life Insurance Company (a mutual life insurance and annuity company) (1987-1994).	63	Advisory Board Member, Innovate Partners Emerging Growth and Equity Fund I (early stage venture capital fund) (since 2014) and Managing Trustee of National Retirement Partners Liquidating Trust (since 2013). Formerly, Chairman, National Retirement Partners, Inc. (formerly a network of advisors to 401(k) plans) (2005-2013); Director of Prospect Acquisition Corp. (a special purpose acquisition corporation) (2007-2009); Director of RemedyTemp, Inc. (temporary help services company) (1996-2006); and Trustee of PIMCO Funds Multi-Manager Series (1990-2000) and Pacific Life Variable Life & Annuity Trusts (1987-1994).

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Raudline Etienne 151 Detroit Street Denver, CO 80206 DOB: 1965	Trustee	6/16-Present	Founder, Daraja Capital (advisory and investment firm) (since 2016), and Senior Advisor, Albright Stonebridge Group LLC (global strategy firm) (since 2016). Formerly, Senior Vice President (2011-2015), Albright Stonebridge Group LLC; and Deputy Comptroller and Chief Investment Officer, New York State Common Retirement Fund (public pension fund) (2008-2011).	63	Director of Brightwood Capital Advisors, LLC (since 2014).

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Gary A. Poliner 151 Detroit Street Denver, CO 80206 DOB: 1953	Trustee	6/16-Present	Retired. Formerly, President (2010-2013) of Northwestern Mutual Life Insurance Company.	63	Director of MGIC Investment Corporation (private mortgage insurance) (since 2013) and West Bend Mutual Insurance Company (property/casualty insurance) (since 2013). Formerly, Trustee of Northwestern Mutual Life Insurance Company (2010-2013); Chairman and Director of Northwestern Mutual Series Fund, Inc. (2010-2012); and Director of Frank Russell Company (global asset management firm) (2008-2013).

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
James T. Rothe 151 Detroit Street Denver, CO 80206 DOB: 1943	Trustee	1/97-Present	Co-founder and Managing Director of Roaring Fork Capital SBIC, L.P. (SBA SBIC fund focusing on private investment in public equity firms), and Professor Emeritus of Business of the University of Colorado, Colorado Springs, CO (since 2004). Formerly, Professor of Business of the University of Colorado (2002-2004), and Distinguished Visiting Professor of Business (2001-2002) of Thunderbird (American Graduate School of International Management), Glendale, AZ.	63	Formerly, Director of Red Robin Gourmet Burgers, Inc. (RRGB) (2004-2014).
William D. Stewart 151 Detroit Street Denver, CO 80206 DOB: 1944	Trustee	9/93-Present	Retired. Formerly, President and founder of HPS Products and Corporate Vice President of MKS Instruments, Boulder, CO (a provider of advanced process control systems for the semiconductor industry) (1976-2012).	63	None

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Diane L. Wallace 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	6/17-Present	Retired.		Formerly, Independent Trustee, Henderson Global Funds (13 portfolios) (2015-2017); Independent Trustee, State Farm Associates' Funds Trust, State Farm Mutual Fund Trust, and State Farm Variable Product Trust (28 portfolios) 2013-2017; Chief Operating Officer, Senior Vice President-Operations, and Chief Financial Officer for Driehaus Capital Management, LLC; and Treasurer for Driehau Mutual Funds.

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Linda S. Wolf 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	12/05-Present	Retired. Formerly, Chairman and Chief Executive Officer of Leo Burnett (Worldwide) (advertising agency) (2001-2005).	63	Director of Chicago Community Trust (Regional Community Foundation), Chicago Council on Global Affairs, InnerWorkings (U.S. provider of print procurement solutions to corporate clients), Lurie Children's Hospital (Chicago, IL), Shirley Ryan Ability Lab and Wrapports, LLC (digital communications company). Formerly, Director of Walmart (until 2017), Director of Chicago Convention & Tourism Bureau (until 2014) and The Field Museum of Natural History (Chicago, IL) (until 2014).

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Jeremiah Buckley 151 Detroit Street Denver, CO 80206 DOB: 1976	Executive Vice President and Co-Portfolio Manager Janus Henderson Balanced Portfolio	12/15-Present	Portfolio Manager for other Janus Henderson accounts.
Marc Pinto 151 Detroit Street Denver, CO 80206 DOB: 1961	Executive Vice President and Co-Portfolio Manager Janus Henderson Balanced Portfolio	5/05-Present	Vice President of Janus Capital and Portfolio Manager for other Janus Henderson accounts.
Mayur Saigal 151 Detroit Street Denver, CO 80206 DOB: 1975	Executive Vice President and Co-Portfolio Manager Janus Henderson Balanced Portfolio	12/15-Present	Portfolio Manager for other Janus Henderson accounts and Analyst for Janus Capital.
Darrell Watters 151 Detroit Street Denver, CO 80206 DOB: 1963	Executive Vice President and Co-Portfolio Manager Janus Henderson Balanced Portfolio	12/15-Present	Vice President of Janus Capital and Portfolio Manager for other Janus Henderson accounts.

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Bruce L. Koepfgen 151 Detroit Street Denver, CO 80206 DOB: 1952	President and Chief Executive Officer	7/14-Present	Head of North America at Janus Henderson Investors and Janus Capital Management LLC (since 2017); Executive Vice President and Director of Janus International Holding LLC (since 2011); Executive Vice President of Janus Distributors LLC (since 2011); Vice President and Director of INTECH Investment Management LLC (since 2011); Executive Vice President and Director of Perkins Investment Management LLC (since 2011); and Executive Vice President and Director of Janus Management Holdings Corporation (since 2011). Formerly, President of Janus Capital Group Inc. and Janus Capital Management LLC (2013-2017); Executive Vice President of Janus Services LLC (2011-2015), Janus Capital Group Inc. and Janus Capital Management LLC (2011-2013); and Chief Financial Officer of Janus Capital Group Inc., Janus Capital Management LLC, Janus Distributors LLC, Janus Management Holdings Corporation, and Janus Services LLC (2011-2013).

Janus Henderson VIT Balanced Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Susan K. Wold 151 Detroit Street Denver, CO 80206 DOB: 1960	Vice President, Chief Compliance Officer, and Anti-Money Laundering Officer	9/17-Present	Senior Vice President and Head of Compliance, North America for Janus Henderson (since September 2017); Formerly, Vice President, Head of Global Corporate Compliance, and Chief Compliance Officer for Janus Capital Management LLC (May 2017-September 2017); Vice President, Compliance at Janus Capital Group Inc. and Janus Capital Management LLC (2005-2017).
Jesper Nergaard 151 Detroit Street Denver, CO 80206 DOB: 1962	Chief Financial Officer Vice President, Treasurer, and Principal Accounting Officer	3/05-Present 2/05-Present	Vice President of Janus Capital and Janus Services LLC.
Kathryn L. Santoro 151 Detroit Street Denver, CO 80206 DOB: 1974	Vice President, Chief Legal Counsel, and Secretary	12/16-Present	Vice President of Janus Capital and Janus Services LLC (since 2016). Formerly, Vice President and Associate Counsel of Curian Capital, LLC and Curian Clearing LLC (2013-2016); and General Counsel and Secretary (2011-2012) and Vice President (2009-2012) of Old Mutual Capital, Inc.

* Officers are elected at least annually by the Trustees for a one-year term and may also be elected from time to time by the Trustees for an interim period.

Knowledge. Shared

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

Learn more by visiting janushenderson.com.

Janus Henderson
INVESTORS

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

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Portfolios distributed by Janus Henderson Distributors

109-02-81113 02-18

ANNUAL REPORT
December 31, 2017

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

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT Enterprise Portfolio

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Janus Henderson VIT Enterprise Portfolio (unaudited)

PORTFOLIO SNAPSHOT

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

Philip Cody Wheaton
co-portfolio manager

Brian Demain
co-portfolio manager

PERFORMANCE OVERVIEW

During the 12 months ended December 31, 2017, Janus Henderson VIT Enterprise Portfolio's Institutional Shares and Service Shares returned 27.42% and 27.09%, respectively. Meanwhile, the Portfolio's benchmark, the Russell Midcap® Growth Index, returned 25.27%.

INVESTMENT ENVIRONMENT

Mid-cap stocks registered strong gains in 2017. Equities enjoyed a strong start to the year, as investors considered the potential impact of some of the Trump administration's proposed corporate tax cuts and pro-growth initiatives. Strong corporate earnings and signs of a strengthening global economy continued to bolster stocks throughout the year. U.S. equities continued to climb higher in the fourth quarter as corporate tax reform appeared likely, and was eventually signed into law. Volatility remained low throughout most of the year. Technology and financials were two of the highest returning sectors within the Russell Midcap Growth Index.

PERFORMANCE DISCUSSION

The portfolio outperformed its benchmark, the Russell Midcap Growth Index, during the year. Our Fund 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 those companies 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 drive relative outperformance over full market cycles. This year, some of our top contributors to performance were longtime holdings in the portfolio that exemplify many of the characteristics we typically seek in companies.

Semiconductor equipment manufacturer Lam Research was our top contributor to performance. Many of the businesses Lam serves are in the memory market. Those customers have enjoyed healthy end markets due to the growth in machine learning and the Internet of Things (IoT). A strong spending cycle by these companies has led to strong demand for Lam's equipment, and that has shown through in its last several earnings reports.

ON Semiconductor was another large contributor. Strong earnings results have helped demonstrate the significant synergies and costs savings ON can achieve from its recent acquisition of Fairchild, and that helped lift the stock during the period. Going forward, we continue to like the company's growth prospects, and also its potential to improve margins. We also like that ON produces semiconductors for a wide range of fast-growing industrial end markets, including power management and automobiles, where image sensors are becoming more prevalent. We believe the diversity of its end markets should create a more stable earnings profile for the company.

Atlassian Corp. was another top contributor. Third-quarter earnings that handily beat consensus expectations helped drive the stock during the period. We continue to see upside for the Australian software company. Atlassian's software tools allow various business teams to collaborate with each other. We like the recurring revenue streams its subscription-based services provide. We also like that Atlassian's offerings are valuable to the businesses that use them, but represent a relatively low cost for those companies. We believe this gives Atlassian a strong degree of pricing power for its services. Finally, we like that many of Atlassian's services have gained traction virally, allowing the company to grow without a large sales force.

While generally pleased with our relative performance this year, we still held some stocks that detracted from results. World Fuel Services was our largest detractor. The fuel logistics company has had difficulties managing its costs, which has negatively affected the stock. We believe World Fuel Services will ultimately address its cost issues. We

continue to hold the stock, and believe their business linking fuel buyers and sellers in transportation markets around the world is valuable to clients. We also believe the company can continue to take share within the fragmented industries in which it operates.

Ritchie Brothers Auctioneers was another large detractor. The company conducts worldwide public auctions of heavy industrial equipment used in construction, transportation and agriculture. Auction proceeds were a little soft early in the period, which negatively affected the stock. Our long-term view of the company remains unchanged, however. We believe that earnings for auctioneers such as Ritchie Bros. are less economically sensitive than many other industrial companies: in strong economic environments, companies must buy heavy equipment to expand; in weak economic environments, they must sell the equipment that is not being used.

Omnicom Group also detracted from performance this year. Fear that online platforms will allow traditional advertisers to bypass advertising agencies such as Omnicom has weighed on the stock. While we acknowledge Omnicom's competitive environment is evolving, we feel those concerns are more than reflected in the stock's valuation, and continue to own the company.

DERIVATIVES

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

OUTLOOK

We have a positive outlook for the broader economy, but expect more modest returns for mid-cap stocks from here. For the first time since the financial crisis, we see signs of a coordinated, global economic expansion. A stronger economy coupled with U.S. corporate tax cuts could provide a significant near-term boost to earnings in 2018, but we believe much of the optimism is already reflected in valuations, which are on the high end of historical averages.

As valuations have risen, it has become more challenging to find new, reasonably valued stocks that fit the investment criteria we typically seek in our portfolio. Despite the challenge, we are not veering from our investment approach. A focus on durable growth companies has served our clients well through the years and we believe it is the best way to add value through an entire market cycle. But we've had to dig a little deeper to find those reasonably valued, durable growth companies.

On the margins, we've trimmed some stocks that have reached our valuation targets, and invested in some new positions where the sustainability of earnings growth is less appreciated by the market.

While we've made incremental changes to the portfolio, we head into 2018 with the same structural positioning we have maintained for the last few years. We continue to maintain an overweight to the technology and health care sectors. Those sectors include companies exposed to a few important themes within our portfolio that we believe provide some of the best long-term growth opportunities in the market: innovative health care treatments and devices, the digitization of the car and home, and the integration of software to automate functions in nearly every industry. The latter theme is particularly promising in the mid-cap space, where we find a number of companies creating specially tailored software solutions that address the unique needs of a niche vertical or industry.

Going forward, we are also likely to maintain our underweights to the consumer staples and consumer discretionary sectors. Within the consumer staples sector, we find a dearth of reasonably valued growth companies. We also believe new distribution channels and new marketing methods that make it easier to reach consumers have whittled away the barriers to entry many consumer staples companies once enjoyed.

Within the consumer discretionary sector, meanwhile, we are underexposed to brick and mortar retail companies within the index. Many of those stocks enjoyed gains this quarter because they stand to disproportionately benefit from U.S. tax cuts, but the long-term fundamental backdrop for mid-cap retailers hasn't changed. E-commerce sites continue to take sales from these companies, who at the same time must make major investments to try and create better online and digital sales channels of their own.

Underweights to both sectors were large contributors to our relative performance in 2017. Given the challenging backdrop companies in both sectors face, we believe the underweights remain justified.

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

Janus Henderson VIT Enterprise Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Top Performers - Holdings

	Contribution
Lam Research Corp	0.88%
ON Semiconductor Corp	0.85%
Atlassian Corp PLC	0.83%
LPL Financial Holdings Inc	0.80%
TE Connectivity Ltd	0.79%

5 Bottom Performers - Holdings

	Contribution
World Fuel Services Corp	-0.34%
TESARO Inc	-0.16%
Ritchie Bros Auctioneers Inc	-0.15%
Omnicom Group Inc	-0.14%
Celgene Corp	-0.12%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Consumer Discretionary	2.44%	9.42%	19.97%
Information Technology	1.15%	35.19%	25.32%
Consumer Staples	1.14%	0.00%	5.51%
Industrials	0.77%	17.79%	15.72%
Real Estate	0.06%	4.12%	4.22%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell Midcap Growth Index Weighting
Other**	-1.16%	4.57%	0.00%
Health Care	-0.65%	18.85%	15.06%
Energy	-0.17%	0.62%	1.84%
Materials	-0.15%	1.82%	5.84%
Utilities	-0.02%	0.00%	0.03%

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

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

** Not a GICS classified sector.

Janus Henderson VIT Enterprise Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Largest Equity Holdings - (% of Net Assets)

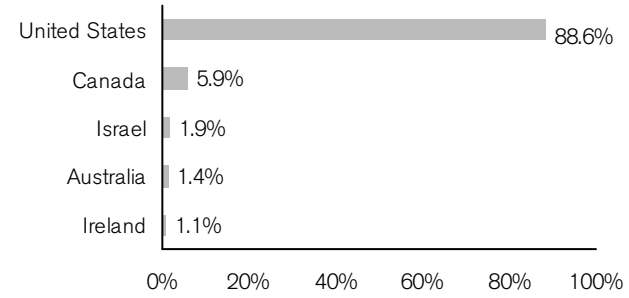
Sensata Technologies Holding NV	
Electrical Equipment	2.5%
TD Ameritrade Holding Corp	
Capital Markets	2.4%
TE Connectivity Ltd	
Electronic Equipment, Instruments & Components	2.2%
Lamar Advertising Co	
Equity Real Estate Investment Trusts (REITs)	2.0%
Crown Castle International Corp	
Equity Real Estate Investment Trusts (REITs)	2.0%
	11.1%

Asset Allocation - (% of Net Assets)

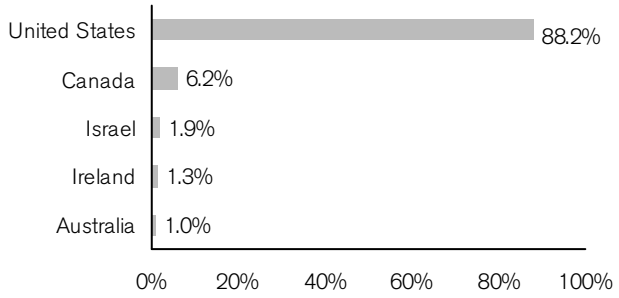
Common Stocks	94.8%
Investment Companies	5.8%
Preferred Stocks	0.1%
Other	(0.7)%
	100.0%

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

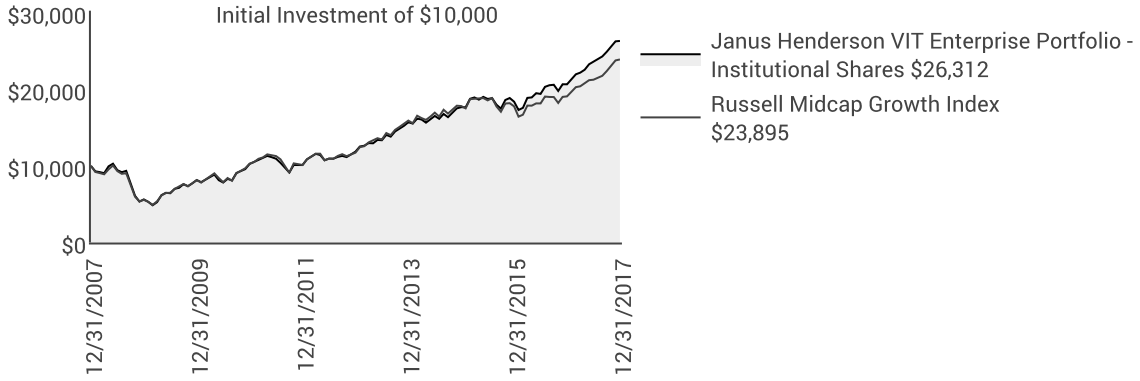
As of December 31, 2017



As of December 31, 2016



Janus Henderson VIT Enterprise Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended December 31, 2017					Expense Ratios - per the May 1, 2017 prospectuses
	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	27.42%	17.28%	10.16%	11.07%	0.74%
Service Shares	27.09%	16.98%	9.88%	10.79%	0.98%
Russell Midcap Growth Index	25.27%	15.30%	9.10%	9.84%	
Morningstar Quartile - Class Institutional Shares	1st	1st	1st	1st	
Morningstar Ranking - based on total returns for Mid-Cap Growth Funds	157/635	21/585	39/528	21/149	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 800.668.0434 or visit janushenderson.com/VITperformance.

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

High absolute short-term performance is not typical and may not be achieved in the future. Such results should not be the sole basis for evaluating material facts in making an investment decision.

Returns shown do not represent actual returns since they do not include insurance charges. Returns shown would have been lower had they included insurance charges.

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

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

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

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

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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.

See important disclosures on the next page.

Janus Henderson VIT Enterprise Portfolio (unaudited)
Performance

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

See "Useful Information About Your Portfolio Report."

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

Janus Henderson VIT Enterprise Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. The example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

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

Hypothetical Example for Comparison Purposes
The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

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

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Net Annualized Expense Ratio (7/1/17 - 12/31/17)
Institutional Shares	$1,000.00	$1,114.50	$3.89	$1,000.00	$1,021.53	$3.72	0.73%
Service Shares	$1,000.00	$1,113.20	$5.17	$1,000.00	$1,020.32	$4.94	0.97%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 184/365 (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
December 31, 2017

	Shares	Value
Common Stocks – 94.8%		
Aerospace & Defense – 2.5%		
HEICO Corp	148,505	$11,739,320
Teledyne Technologies Inc*	96,017	17,393,480
		29,132,800
Airlines – 1.1%		
Ryanair Holdings PLC (ADR)*	126,751	13,206,187
Banks – 0.6%		
SVB Financial Group*	28,845	6,743,096
Biotechnology – 3.2%		
ACADIA Pharmaceuticals Inc*	169,965	5,117,646
Alkermes PLC*	98,759	5,405,080
Celgene Corp*	101,694	10,612,786
Neurocrine Biosciences Inc*	128,843	9,996,928
Puma Biotechnology Inc*	46,355	4,582,192
TESARO Inc*	29,109	2,412,263
		38,126,895
Building Products – 1.0%		
AO Smith Corp	187,700	11,502,256
Capital Markets – 5.0%		
LPL Financial Holdings Inc	319,066	18,231,431
MSCI Inc	105,286	13,322,890
TD Ameritrade Holding Corp	540,679	27,644,917
		59,199,238
Commercial Services & Supplies – 1.8%		
Edenred	321,747	9,320,037
Ritchie Bros Auctioneers Inc	377,759	11,306,327
		20,626,364
Communications Equipment – 0.8%		
Harris Corp	62,566	8,862,474
Containers & Packaging – 1.6%		
Sealed Air Corp	385,812	19,020,532
Diversified Consumer Services – 1.6%		
ServiceMaster Global Holdings Inc*	363,409	18,631,979
Electrical Equipment – 3.1%		
AMETEK Inc	88,897	6,442,366
Sensata Technologies Holding NV*	581,594	29,725,269
		36,167,635
Electronic Equipment, Instruments & Components – 7.3%		
Amphenol Corp	87,868	7,714,810
Belden Inc	126,193	9,738,314
Dolby Laboratories Inc	130,135	8,068,370
Flex Ltd*	938,916	16,891,099
National Instruments Corp	424,583	17,675,390
TE Connectivity Ltd†	269,380	25,601,875
		85,689,858
Equity Real Estate Investment Trusts (REITs) – 4.0%		
Crown Castle International Corp	207,128	22,993,279
Lamar Advertising Co	314,915	23,379,290
		46,372,569
Health Care Equipment & Supplies – 7.7%		
Boston Scientific Corp*	767,941	19,037,257
Cooper Cos Inc	42,919	9,351,192
DexCom Inc*	98,410	5,647,750
ICU Medical Inc*	36,953	7,981,848
STERIS PLC	200,955	17,577,534
Teleflex Inc	63,436	15,784,146
Varian Medical Systems Inc*	136,494	15,171,308
		90,551,035

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

Janus Henderson VIT Enterprise Portfolio
Schedule of Investments
December 31, 2017

	Shares	Value
Common Stocks – (continued)		
Health Care Providers & Services – 0.6%		
Henry Schein Inc*	92,326	$6,451,741
Health Care Technology – 1.4%		
athenahealth Inc*	124,917	16,618,958
Hotels, Restaurants & Leisure – 2.3%		
Dunkin' Brands Group Inc	245,287	15,813,653
Norwegian Cruise Line Holdings Ltd*	212,539	11,317,702
		27,131,355
Industrial Conglomerates – 0.6%		
Carlisle Cos Inc	65,874	7,486,580
Information Technology Services – 8.7%		
Amdocs Ltd	284,522	18,630,501
Broadridge Financial Solutions Inc	148,233	13,426,945
Euronet Worldwide Inc*	45,657	3,847,515
Fidelity National Information Services Inc	149,756	14,090,542
Gartner Inc*	82,390	10,146,328
Global Payments Inc	131,626	13,194,190
Jack Henry & Associates Inc	80,316	9,393,759
WEX Inc*	138,445	19,552,587
		102,282,367
Insurance – 2.6%		
Aon PLC	145,017	19,432,278
Intact Financial Corp	129,280	10,799,735
		30,232,013
Internet & Direct Marketing Retail – 0.3%		
Wayfair Inc*	46,704	3,748,930
Internet Software & Services – 3.1%		
Cimpress NV*	169,933	20,371,568
CoStar Group Inc*	53,172	15,789,425
		36,160,993
Leisure Products – 0.6%		
Polaris Industries Inc#	55,531	6,885,289
Life Sciences Tools & Services – 4.5%		
IQVIA Holdings Inc*	161,024	15,764,250
PerkinElmer Inc	286,676	20,961,749
Waters Corp*	85,268	16,472,925
		53,198,924
Machinery – 2.4%		
Middleby Corp*	53,089	7,164,361
Rexnord Corp*	561,124	14,600,446
Wabtec Corp/DE#	72,013	5,864,019
		27,628,826
Media – 0.8%		
Omnicom Group Inc	131,359	9,566,876
Oil, Gas & Consumable Fuels – 0.4%		
World Fuel Services Corp	178,144	5,012,972
Professional Services – 2.6%		
IHS Markit Ltd*	184,414	8,326,292
Verisk Analytics Inc*,†	234,959	22,556,064
		30,882,356
Road & Rail – 1.8%		
Canadian Pacific Railway Ltd	49,264	9,003,489
Old Dominion Freight Line Inc	91,975	12,099,311
		21,102,800
Semiconductor & Semiconductor Equipment – 7.9%		
KLA-Tencor Corp	152,971	16,072,663
Lam Research Corp	93,381	17,188,641
Microchip Technology Inc	233,344	20,506,271
ON Semiconductor Corp*	980,693	20,535,711

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

Janus Henderson VIT Enterprise Portfolio
Schedule of Investments
December 31, 2017

	Shares	Value
Common Stocks – (continued)		
Semiconductor & Semiconductor Equipment – (continued)		
Xilinx Inc	271,663	$18,315,519
		92,618,805
Software – 8.6%		
Atlassian Corp PLC*	349,128	15,892,307
Constellation Software Inc/Canada	36,314	22,017,818
Intuit Inc	72,594	11,453,881
Nice Ltd (ADR)	246,748	22,678,609
SS&C Technologies Holdings Inc	477,363	19,323,654
Ultimate Software Group Inc*	43,557	9,505,444
		100,871,713
Specialty Retail – 1.2%		
Tractor Supply Co	105,598	7,893,451
Williams-Sonoma Inc	111,577	5,768,531
		13,661,982
Textiles, Apparel & Luxury Goods – 2.8%		
Carter's Inc	81,395	9,563,099
Gildan Activewear Inc	503,751	16,271,157
Lululemon Athletica Inc*	96,359	7,572,854
		33,407,110
Trading Companies & Distributors – 0.3%		
Ferguson PLC	56,557	4,046,031
Total Common Stocks (cost $651,736,554)		1,112,829,539
Preferred Stocks – 0.1%		
Electronic Equipment, Instruments & Components – 0.1%		
Belden Inc, 6.7500% (cost $1,200,000)	12,000	1,236,600
Investment Companies – 5.8%		
Investments Purchased with Cash Collateral from Securities Lending – 0.6%		
Janus Cash Collateral Fund LLC, 1.2573%∞,£	6,842,000	6,842,000
Money Markets – 5.2%		
Janus Cash Liquidity Fund LLC, 1.2731%∞,£	61,393,542	61,393,542
Total Investment Companies (cost $68,235,542)		68,235,542
Total Investments (total cost $721,172,096) – 100.7%		1,182,301,681
Liabilities, net of Cash, Receivables and Other Assets – (0.7)%		(8,001,794)
Net Assets – 100%		$1,174,299,887

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

Country	Value	% of Investment Securities
United States	$1,047,759,984	88.6 %
Canada	69,398,526	5.9
Israel	22,678,609	1.9
Australia	15,892,307	1.4
Ireland	13,206,187	1.1
France	9,320,037	0.8
United Kingdom	4,046,031	0.3
Total	$1,182,301,681	100.0 %

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

Janus Henderson VIT Enterprise Portfolio
Schedule of Investments
December 31, 2017

Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income[1]	*Realized Gain/(Loss)*[1]	*Change in Unrealized Appreciation/ Depreciation*[1]	*Value at 12/31/17*
Investment Companies – 5.8%				
Investments Purchased with Cash Collateral from Securities Lending – 0.6%				
Janus Cash Collateral Fund LLC, 1.2573%∞	$ 75,695Δ	$ —	$ —	$ 6,842,000
Money Markets – 5.2%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	432,846	—	—	61,393,542
Total Affiliated Investments – 5.8%	$ 508,541	$ —	$ —	$ 68,235,542

(1) For securities that were affiliated for a portion of the year ended December 31, 2017, this column reflects amounts for the entire year ended December 31, 2017 and not just the period in which the security was affiliated.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 12/31/17*
Investment Companies – 5.8%				
Investments Purchased with Cash Collateral from Securities Lending – 0.6%				
Janus Cash Collateral Fund LLC, 1.2573%∞	6,464,316	87,950,437	(87,572,753)	6,842,000
Money Markets – 5.2%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	30,395,468	165,249,074	(134,251,000)	61,393,542

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

Schedule of Forward Foreign Currency Exchange Contracts, Open

Counterparty/ Foreign Currency	*Settlement Date*	*Foreign Currency Amount (Sold)/ Purchased*	*USD Currency Amount (Sold)/ Purchased*	*Unrealized Appreciation/ (Depreciation)*
Bank of America:				
Euro	2/8/18	(415,000)	$ 491,545	$ (7,529)
Barclays Capital, Inc.:				
Canadian Dollar	2/1/18	(4,043,000)	3,146,867	(71,836)
Euro	2/1/18	(3,577,000)	4,278,950	(21,078)
				(92,914)
Citibank NA:				
Canadian Dollar	2/1/18	(4,325,000)	3,366,964	(76,244)
Euro	2/1/18	(4,096,000)	4,896,973	(26,962)
				(103,206)
Credit Suisse International:				
Canadian Dollar	2/22/18	(7,539,000)	5,932,618	(70,784)
HSBC Securities (USA), Inc.:				
Canadian Dollar	2/8/18	(7,768,000)	6,056,580	(128,166)
Euro	2/8/18	(2,373,000)	2,809,157	(44,584)
				(172,750)
JPMorgan Chase & Co.:				
Euro	2/1/18	(7,358,000)	8,807,416	(37,876)
Total				$ (485,059)

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 December 31, 2017.

Fair Value of Derivative Instruments (not accounted for as hedging instruments) as of December 31, 2017

	Currency Contracts
Liability Derivatives:	
Forward foreign currency exchange contracts	$485,059

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

Janus Henderson VIT Enterprise Portfolio
Schedule of Investments
December 31, 2017

The following tables provide information about the effect of derivatives and hedging activities on the Portfolio's Statement of Operations for the year ended December 31, 2017.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the year ended December 31, 2017

Amount of Realized Gain/(Loss) Recognized on Derivatives	
Derivative	*Currency Contracts*
Forward foreign currency exchange contracts	$(2,362,633)

Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives	
Derivative	*Currency Contracts*
Forward foreign currency exchange contracts	$ (547,032)

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 Year Ended December 31, 2017

	Market Value
Forward foreign currency exchange contracts, sold	$32,102,998

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

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

*	Non-income producing security.
†	A portion of this security has been segregated to cover margin or segregation requirements on open futures contracts, forward currency contracts, options contracts, short sales, swap agreements, and/or securities with extended settlement dates, the value of which, as of December 31, 2017, is $26,352,000.
°°	Rate shown is the 7-day yield as of December 31, 2017.
#	Loaned security; a portion of the security is on loan at December 31, 2017.
£	The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.
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 December 31, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
Assets			
Investments in Securities:			
Common Stocks			
Commercial Services & Supplies	$ 11,306,327	$ 9,320,037	$ -
Insurance	19,432,278	10,799,735	-
Software	78,853,895	22,017,818	-
Trading Companies & Distributors	-	4,046,031	-
All Other	957,053,418	-	-
Preferred Stocks	-	1,236,600	-
Investment Companies	-	68,235,542	-
Total Assets	$ 1,066,645,918	$ 115,655,763	$ -
Liabilities			
Other Financial Instruments[(a)]:			
Forward Foreign Currency Exchange Contracts	$ -	$ 485,059	$ -

(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
December 31, 2017

Assets:		
Unaffiliated investments, at value[1][2]	$	1,114,066,139
Affiliated investments, at value[3]		68,235,542
Cash		243,821
Cash denominated in foreign currency[4]		55,958
Closed foreign currency contracts		18,980
Non-interested Trustees' deferred compensation		22,439
Receivables:		
Portfolio shares sold		1,017,568
Dividends		345,649
Dividends from affiliates		56,085
Other assets		11,256
Total Assets		1,184,073,437
Liabilities:		
Collateral for securities loaned (Note 3)		6,842,000
Forward foreign currency exchange contracts		485,059
Closed foreign currency contracts		2,471
Payables:		
Portfolio shares repurchased		989,905
Advisory fees		654,175
Investments purchased		501,110
12b-1 Distribution and shareholder servicing fees		120,326
Transfer agent fees and expenses		54,260
Professional fees		29,203
Non-interested Trustees' deferred compensation fees		22,439
Portfolio administration fees		7,973
Non-interested Trustees' fees and expenses		7,943
Custodian fees		5,537
Accrued expenses and other payables		51,149
Total Liabilities		9,773,550
Net Assets	$	1,174,299,887
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	653,436,486
Undistributed net investment income/(loss)		962,521
Undistributed net realized gain/(loss) from investments and foreign currency transactions		59,248,552
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		460,652,328
Total Net Assets	$	1,174,299,887
Net Assets - Institutional Shares	$	618,750,172
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		8,758,044
Net Asset Value Per Share	$	70.65
Net Assets - Service Shares	$	555,549,715
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		8,332,261
Net Asset Value Per Share	$	66.67

(1) Includes cost of $652,936,554.
(2) Includes $6,700,720 of securities on loan. See Note 3 in Notes to Financial Statements.
(3) Includes cost of $68,235,542.
(4) Includes cost of $55,958.

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio
Statement of Operations
For the year ended December 31, 2017

Investment Income:		
Dividends	$	9,049,233
Dividends from affiliates		432,846
Affiliated securities lending income, net		75,695
Other income		28
Foreign tax withheld		(165,250)
Total Investment Income		9,392,552
Expenses:		
Advisory fees		6,685,291
12b-1Distribution and shareholder servicing fees:		
Service Shares		1,221,160
Transfer agent administrative fees and expenses:		
Institutional Shares		278,056
Service Shares		244,232
Other transfer agent fees and expenses:		
Institutional Shares		19,009
Service Shares		9,706
Shareholder reports expense		117,425
Portfolio administration fees		89,435
Professional fees		42,743
Non-interested Trustees' fees and expenses		28,225
Custodian fees		25,587
Registration fees		23,409
Other expenses		66,063
Total Expenses		8,850,341
Net Investment Income/(Loss)		542,211
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		62,016,869
Forward foreign currency exchange contracts		(2,362,633)
Total Net Realized Gain/(Loss) on Investments		59,654,236
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		189,285,897
Forward foreign currency exchange contracts		(547,032)
Total Change in Unrealized Net Appreciation/Depreciation		188,738,865
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	248,935,312

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio
Statements of Changes in Net Assets

		Year ended December 31, 2017		*Year ended December 31, 2016*
Operations:				
Net investment income/(loss)	$	542,211	$	2,910,449
Net realized gain/(loss) on investments		59,654,236		68,045,643
Change in unrealized net appreciation/depreciation		188,738,865		24,741,659
Net Increase/(Decrease) in Net Assets Resulting from Operations		248,935,312		95,697,751
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(1,431,060)		(643,985)
Service Shares		(715,202)		(98,035)
Total Dividends from Net Investment Income		(2,146,262)		(742,020)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(35,399,828)		(34,561,214)
Service Shares		(32,692,941)		(31,048,820)
Total Distributions from Net Realized Gain from Investment Transactions		(68,092,769)		(65,610,034)
Net Decrease from Dividends and Distributions to Shareholders		(70,239,031)		(66,352,054)
Capital Share Transactions:				
Institutional Shares		63,180,886		25,003,153
Service Shares		53,921,594		84,512,086
Net Increase/(Decrease) from Capital Share Transactions		117,102,480		109,515,239
Net Increase/(Decrease) in Net Assets		295,798,761		138,860,936
Net Assets:				
Beginning of period		878,501,126		739,640,190
End of period	$	1,174,299,887	$	878,501,126
Undistributed Net Investment Income/(Loss)	$	962,521	$	2,563,393

See Notes to Financial Statements.

Janus Henderson VIT Enterprise Portfolio
Financial Highlights

Institutional Shares

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

Service Shares

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

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

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

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

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Henderson VIT Enterprise Portfolio (formerly named Janus Aspen Enterprise Portfolio) (the "Portfolio") is a series of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers 12 portfolios, each of which offers multiple share classes, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio is classified as diversified, as defined in the 1940 Act.

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

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

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

Investment Valuation

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

Valuation Inputs Summary

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

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

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

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

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

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

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

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of December 31, 2017 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

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

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

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

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

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

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

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

2. Derivative Instruments

The Portfolio may invest in various types of derivatives, which may at times result in significant derivative exposure. A derivative is a financial instrument whose performance is derived from the performance of another asset. The Portfolio may invest in derivative instruments including, but not limited to: futures contracts, put options, call options, options on future contracts, options on foreign currencies, options on recovery locks, options on security and commodity indices, swaps, forward contracts, structured investments, and other equity-linked derivatives. Each derivative instrument that was held by the Portfolio during the year ended December 31, 2017 is discussed in further detail below. A summary of derivative activity by the Fund is reflected in the tables at the end of the Schedule of Investments.

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

would be prohibited by its investment restrictions from purchasing directly. The Portfolio's ability to use derivative instruments may also be limited by tax considerations.

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

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

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

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

In an effort to mitigate credit risk associated with derivatives traded OTC, the Portfolio may enter into collateral agreements with certain counterparties whereby, subject to certain minimum exposure requirements, the Portfolio may require the counterparty to post collateral if the Portfolio has a net aggregate unrealized gain on all OTC derivative contracts with a particular counterparty. There is no guarantee that counterparty exposure is reduced and these arrangements are dependent on Janus Capital's Management LLC ("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 year, 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 limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. Greece, Ireland, and Portugal have already received one or more "bailouts" from other Eurozone member states, and it is unclear how much additional funding they will require or if additional Eurozone member states will require bailouts in the future. The risk of investing in securities in the European markets may also be

heightened due to the referendum in which the United Kingdom voted to exit the EU (known as "Brexit"). There is considerable uncertainty about how Brexit will be conducted, how negotiations of necessary treaties and trade agreements will proceed, or how financial markets will react. In addition, one or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy.

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

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

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

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

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

The following tables present gross amounts of recognized assets and/or liabilities and the net amounts after deducting collateral that has been pledged by counterparties or has been pledged to counterparties (if applicable). For corresponding information grouped by type of instrument, see the "Fair Value of Derivative Instruments as of December 31, 2017" 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[a]	Collateral Pledged[b]	Net Amount
Deutsche Bank AG	$ 6,700,720	$ —	$ (6,700,720)	$ —

Offsetting of Financial Liabilities and Derivative Liabilities

Counterparty	Gross Amounts of Recognized Liabilities	Offsetting Asset or Liability[a]	Collateral Pledged[b]	Net Amount
Bank of America	$ 7,529	$ —	$ —	$ 7,529
Barclays Capital, Inc.	92,914	—	—	92,914
Citibank NA	103,206	—	—	103,206
Credit Suisse International	70,784	—	—	70,784
HSBC Securities (USA), Inc.	172,750	—	—	172,750
JPMorgan Chase & Co.	37,876	—	—	37,876
Total	$ 485,059	$ —	$ —	$ 485,059

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

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

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

The Portfolio does not exchange collateral on its forward currency contracts with its counterparties; however, the Portfolio may segregate cash or high-grade securities in an amount at all times equal to or greater than the Portfolio's commitment with respect to these contracts. Such segregated assets, if with the Portfolio's custodian, are denoted on the accompanying Schedule of Investments and are evaluated daily to ensure their market value equals or exceeds the current market value of the Portfolio's corresponding forward currency contracts.

Real Estate Investing

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

Securities Lending

Under procedures adopted by the Trustees, the Portfolio may seek to earn additional income by lending securities to 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 Cash Collateral Fund LLC. An investment in Janus Cash Collateral Fund LLC is generally subject to the same risks that shareholders experience when investing in similarly structured vehicles, such as the potential for significant fluctuations in assets as a result of the purchase and redemption activity of the securities lending program, a decline in the value of the collateral, and possible liquidity issues. Such risks may delay the return of the cash collateral and cause the Portfolio to violate its agreement to return the cash collateral to a borrower in a timely manner. As adviser to the Portfolio and Janus Cash Collateral Fund LLC, Janus Capital has an inherent conflict of interest as a result of its fiduciary duties to both the Portfolio and Janus Cash Collateral Fund LLC. Additionally, Janus Capital receives an investment advisory fee of 0.05% for managing Janus Cash Collateral Fund LLC, but it may not receive a fee for managing certain other affiliated cash management vehicles in which the Portfolio may invest, and therefore may have an incentive to allocate preferred investment opportunities to investment vehicles for which it is receiving a fee.

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

The cash collateral invested by Janus Capital is disclosed in the Schedule of Investments (if applicable). Income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the lending agent are included as "Affiliated securities lending income, net" on the Statement of Operations. As of December 31, 2017, securities lending transactions accounted for as secured borrowings with an overnight and continuous contractual maturity are $6,700,720 for equity securities. Gross amounts of recognized liabilities for securities lending (collateral received) as of December 31, 2017 is $6,842,000, resulting in the net amount due to the counterparty of $141,280.

4. Investment Advisory Agreements and Other Transactions with Affiliates

The Portfolio pays Janus Capital an investment advisory fee which is calculated daily and paid monthly. The Portfolio's contractual investment advisory fee rate (expressed as an annual rate) is 0.64% of its average daily net assets.

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

In addition, Janus Services provides or arranges for the provision of certain other internal administrative, recordkeeping, and shareholder relations services for the Portfolio. Janus Services is not compensated for these internal services

related to the shares, except for out-of-pocket costs. These amounts are disclosed as "Other transfer agent fees and expenses" on the Statement of Operations.

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

Janus Capital furnishes certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio and providing personnel to serve as officers to the Portfolio. The Portfolio reimburses Janus Capital for certain of its costs in providing these services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These costs include some or all of the salaries, fees, and expenses of Janus Capital employees and Portfolio officers, including the Portfolio's Chief Compliance Officer and compliance staff, who provide specified administration and compliance services to the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Total compensation of $17,105 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the year ended December 31, 2017. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of December 31, 2017 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the year ended December 31, 2017 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $416,450 were paid by the Trust to the Trustees under the Deferred Plan during the year ended December 31, 2017.

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

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the year ended December 31, 2017 can be found in a table 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 year ended December 31, 2017, the Portfolio engaged in cross trades amounting to $2,335,953 in purchases.

5. Federal Income Tax

The tax components of capital shown in the table below represent: (1) distribution requirements the Portfolio must satisfy under the income tax regulations; (2) losses or deductions the Portfolio may be able to offset against income and gains realized in future years; and (3) unrealized appreciation or depreciation of investments for federal income tax purposes.

Other book to tax differences primarily consist of deferred compensation, derivatives, and foreign currency contract adjustments. 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.

			Loss Deferrals			
Undistributed Ordinary Income	*Undistributed Long-Term Gains*	*Accumulated Capital Losses*	*Late-Year Ordinary Loss*	*Post-October Capital Loss*	*Other Book to Tax Differences*	*Net Tax Appreciation/ (Depreciation)*
$ 1,253,200	$ 58,630,178	$ -	$ -	$ -	$ (14,383)	$460,994,406

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of December 31, 2017 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ 721,307,275	$465,577,916	$ (4,583,510)	$ 460,994,406

Information on the tax components of derivatives as of December 31, 2017 is as follows:

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ (485,059)	$ -	$ -	$ -

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

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. Certain permanent differences such as tax returns of capital and net investment losses noted below have been reclassified to capital.

For the year ended December 31, 2017

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 6,165,712	$ 64,073,319	$ -	$ -

For the year ended December 31, 2016

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 6,166,666	$ 60,185,388	$ -	$ -

Permanent book to tax basis differences may result in reclassifications between the components of net assets. These differences have no impact on the results of operations or net assets. The following reclassifications have been made to the Portfolio:

Increase/(Decrease) to Capital	*Increase/(Decrease) to Undistributed Net Investment Income/Loss*	*Increase/(Decrease) to Undistributed Net Realized Gain/Loss*
$ -	$ 3,179	$ (3,179)

6. Capital Share Transactions

	Year ended December 31, 2017		*Year ended December 31, 2016*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	1,890,480	$121,760,466	979,051	$ 56,320,924
Reinvested dividends and distributions	576,744	36,830,888	632,158	35,205,199
Shares repurchased	(1,457,793)	(95,410,468)	(1,156,822)	(66,522,970)
Net Increase/(Decrease)	1,009,431	$ 63,180,886	454,387	$ 25,003,153
Service Shares:				
Shares sold	2,014,812	$125,011,366	2,029,144	$110,199,332
Reinvested dividends and distributions	553,573	33,408,143	589,542	31,146,855
Shares repurchased	(1,693,457)	(104,497,915)	(1,041,304)	(56,834,101)
Net Increase/(Decrease)	874,928	$ 53,921,594	1,577,382	$ 84,512,086

7. Purchases and Sales of Investment Securities

For the year ended December 31, 2017, 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*
$147,325,422	$ 135,040,478	$ -	$ -

8. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X was August 1, 2017. This report incorporates the amendments to Regulation S-X.

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

9. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. (“JCGI”), the direct parent of Janus Capital, and Henderson Group plc (“Henderson”) announced that they had entered into an Agreement and Plan of Merger (“Merger Agreement”) relating to the strategic combination of Henderson and JCGI (the “Merger”). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson merged with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson. The Merger was effective May 30, 2017.

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

On December 8, 2016, the Trustees approved, subject to shareholder approval, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger (the “Post-Merger Advisory Agreement”). At the same meeting, the Trustees approved submitting the Post-Merger Advisory Agreement, among other proposals, to Portfolio shareholders for approval.

Special Meeting(s) of Shareholders were held on April 6, 2017, and adjourned and reconvened on April 18, 2017.

Approval of Advisory Agreements

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

10. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to December 31, 2017 and through the date of issuance of the Portfolio’s financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio’s financial statements.

Janus Henderson VIT Enterprise Portfolio
Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Janus Aspen Series and Shareholders of Janus Henderson VIT Enterprise Portfolio:

Opinion on the Financial Statements
We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Janus Henderson VIT Enterprise Portfolio (one of the portfolios constituting Janus Aspen Series, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statements of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent, and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado
February 16, 2018

We have served as the auditor of one or more investment companies in Janus Henderson Funds since 1990.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at janushenderson.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janushenderson.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Full Holdings

The Portfolio is required to disclose its complete holdings in the quarterly holdings report on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free) . Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 14 Funds that utilize subadvisers.

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

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which closed in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2018 through February 1, 2019, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the

agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

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

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

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

Asset Allocation Funds

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

quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

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

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

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

Money Market Funds

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

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

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

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

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

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

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

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of

that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

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

Alternative Funds

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

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

- For Janus Henderson Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson European Focus Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Value Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson All Asset Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Research Fund, the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were limited in accuracy by differences in complex size, business mix, institutional account orientation and other factors, after accepting these limitations, the level of profit earned by Janus Capital's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing certain of these Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

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

January 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the

investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

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

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

At a meeting held on January 26, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2017 through February 1, 2018, subject to earlier termination as provided for in each agreement.

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

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided

its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% of the Funds were in the top two Broadridge quartiles of performance.

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

Fixed-Income Funds and Money Market Funds

- For Janus Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the

bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

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

Alternative Fund

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

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.

- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

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

- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen Intech U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

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

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

Fixed-Income Funds and Money Market Funds

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

classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's

expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

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

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to

limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

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

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the

Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

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

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a

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

Janus Henderson VIT 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 December 31, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson in general.

Performance Overviews

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

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

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

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

Schedule of Investments

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

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

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

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

Statement of Assets and Liabilities

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

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

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

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

Statement of Operations

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

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

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

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

Statements of Changes in Net Assets

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

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

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

Financial Highlights

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

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

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

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

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

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

Janus Henderson VIT Enterprise Portfolio
Shareholder Meeting (unaudited)

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

Proposals

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

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

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

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

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.946	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.342	90.950	9.050	0.000	0.000	100.000

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

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

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

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

Janus Henderson VIT Enterprise Portfolio
Designation Requirements (unaudited)

For federal income tax purposes, the Portfolio designated the following for the year ended December 31, 2017:

Capital Gain Distributions	$64,073,319
Dividends Received Deduction Percentage	72%

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

The Portfolio's Statement of Additional Information includes additional information about the Trustees and officers and is available, without charge, by calling 1-877-335-2687.

The following are the Trustees and officers of the Trust, together with a brief description of their principal occupations during the last five years (principal occupations for certain Trustees may include periods over five years).

Each Trustee has served in that capacity since he or she was originally elected or appointed. The Trustees do not serve a specified term of office. Each Trustee will hold office until the termination of the Trust or his or her earlier death, resignation, retirement, incapacity, or removal. Under the Portfolio's Governance Procedures and Guidelines, the policy is for Trustees to retire no later than the end of the calendar year in which the Trustee turns 75. The Trustees review the Portfolio's Governance Procedures and Guidelines from time to time and may make changes they deem appropriate. The Portfolio's Nominating and Governance Committee will consider nominees for the position of Trustee recommended by shareholders. Shareholders may submit the name of a candidate for consideration by the Committee by submitting their recommendations to the Trust's Secretary. Each Trustee is currently a Trustee of one other registered investment company advised by Janus Capital: Janus Investment Fund. Collectively, these two registered investment companies consist of 58 series or funds.

The Trust's officers are elected annually by the Trustees for a one-year term. Certain officers also serve as officers of Janus Investment Fund. Certain officers of the Portfolio may also be officers and/or directors of Janus Capital. Except as otherwise disclosed, Portfolio officers receive no compensation from the Portfolio, except for the Portfolio's Chief Compliance Officer, as authorized by the Trustees.

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William F. McCalpin 151 Detroit Street Denver, CO 80206 DOB: 1957	Chairman Trustee	1/08-Present 6/02-Present	Managing Partner, Impact Investments, Athena Capital Advisors LLC (independent registered investment advisor) (since 2016) and Managing Director, Holos Consulting LLC (provides consulting services to foundations and other nonprofit organizations). Formerly, Chief Executive Officer, Imprint Capital (impact investment firm) (2013-2015) and Executive Vice President and Chief Operating Officer of The Rockefeller Brothers Fund (a private family foundation) (1998-2006).	63	Director of Mutual Fund Directors Forum (a non-profit organization serving independent directors of U.S. mutual funds), Chairman of the Board and Trustee of The Investment Fund for Foundations Investment Program (TIP) (consisting of 2 funds), and Director of the F.B. Heron Foundation (a private grantmaking foundation).

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Alan A. Brown 151 Detroit Street Denver, CO 80206 DOB: 1962	Trustee	1/13-Present	Executive Vice President, Institutional Markets, of Black Creek Group (private equity real estate investment management firm) (since 2012). Formerly, Executive Vice President and Co-Head, Global Private Client Group (2007-2010), Executive Vice President, Mutual Funds (2005-2007), and Chief Marketing Officer (2001-2005) of Nuveen Investments, Inc. (asset management).	63	Director of WTTW (PBS affiliate) (since 2003). Formerly, Director of MotiveQuest LLC (strategic social market research company) (2003-2016); Director of Nuveen Global Investors LLC (2007-2011); Director of Communities in Schools (2004-2010); and Director of Mutual Fund Education Alliance (until 2010).

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William D. Cvengros 151 Detroit Street Denver, CO 80206 DOB: 1948	Trustee	1/11-Present	Managing Member and Chief Executive Officer of SJC Capital, LLC (a personal investment company and consulting firm) (since 2002). Formerly, Venture Partner for The Edgewater Funds (a middle market private equity firm) (2002-2004); Chief Executive Officer and President of PIMCO Advisors Holdings L.P. (a publicly traded investment management firm) (1994-2000); and Chief Investment Officer of Pacific Life Insurance Company (a mutual life insurance and annuity company) (1987-1994).	63	Advisory Board Member, Innovate Partners Emerging Growth and Equity Fund I (early stage venture capital fund) (since 2014) and Managing Trustee of National Retirement Partners Liquidating Trust (since 2013). Formerly, Chairman, National Retirement Partners, Inc. (formerly a network of advisors to 401(k) plans) (2005-2013); Director of Prospect Acquisition Corp. (a special purpose acquisition corporation) (2007-2009); Director of RemedyTemp, Inc. (temporary help services company) (1996-2006); and Trustee of PIMCO Funds Multi-Manager Series (1990-2000) and Pacific Life Variable Life & Annuity Trusts (1987-1994).

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Raudline Etienne 151 Detroit Street Denver, CO 80206 DOB: 1965	Trustee	6/16-Present	Founder, Daraja Capital (advisory and investment firm) (since 2016), and Senior Advisor, Albright Stonebridge Group LLC (global strategy firm) (since 2016). Formerly, Senior Vice President (2011-2015), Albright Stonebridge Group LLC; and Deputy Comptroller and Chief Investment Officer, New York State Common Retirement Fund (public pension fund) (2008-2011).	63	Director of Brightwood Capital Advisors, LLC (since 2014).

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Gary A. Poliner 151 Detroit Street Denver, CO 80206 DOB: 1953	Trustee	6/16-Present	Retired. Formerly, President (2010-2013) of Northwestern Mutual Life Insurance Company.	63	Director of MGIC Investment Corporation (private mortgage insurance) (since 2013) and West Bend Mutual Insurance Company (property/casualty insurance) (since 2013). Formerly, Trustee of Northwestern Mutual Life Insurance Company (2010-2013); Chairman and Director of Northwestern Mutual Series Fund, Inc. (2010-2012); and Director of Frank Russell Company (global asset management firm) (2008-2013).

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
James T. Rothe 151 Detroit Street Denver, CO 80206 DOB: 1943	Trustee	1/97-Present	Co-founder and Managing Director of Roaring Fork Capital SBIC, L.P. (SBA SBIC fund focusing on private investment in public equity firms), and Professor Emeritus of Business of the University of Colorado, Colorado Springs, CO (since 2004). Formerly, Professor of Business of the University of Colorado (2002-2004), and Distinguished Visiting Professor of Business (2001-2002) of Thunderbird (American Graduate School of International Management), Glendale, AZ.	63	Formerly, Director of Red Robin Gourmet Burgers, Inc. (RRGB) (2004-2014).
William D. Stewart 151 Detroit Street Denver, CO 80206 DOB: 1944	Trustee	9/93-Present	Retired. Formerly, President and founder of HPS Products and Corporate Vice President of MKS Instruments, Boulder, CO (a provider of advanced process control systems for the semiconductor industry) (1976-2012).	63	None

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Diane L. Wallace 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	6/17-Present	Retired.		Formerly, Independent Trustee, Henderson Global Funds (13 portfolios) (2015-2017); Independent Trustee, State Farm Associates' Funds Trust, State Farm Mutual Fund Trust, and State Farm Variable Product Trust (28 portfolios) 2013-2017; Chief Operating Officer, Senior Vice President-Operations, and Chief Financial Officer for Driehaus Capital Management, LLC; and Treasurer for Driehau Mutual Funds.

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Linda S. Wolf 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	12/05-Present	Retired. Formerly, Chairman and Chief Executive Officer of Leo Burnett (Worldwide) (advertising agency) (2001-2005).	63	Director of Chicago Community Trust (Regional Community Foundation), Chicago Council on Global Affairs, InnerWorkings (U.S. provider of print procurement solutions to corporate clients), Lurie Children's Hospital (Chicago, IL), Shirley Ryan Ability Lab and Wrapports, LLC (digital communications company). Formerly, Director of Walmart (until 2017), Director of Chicago Convention & Tourism Bureau (until 2014) and The Field Museum of Natural History (Chicago, IL) (until 2014).

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Brian Demain 151 Detroit Street Denver, CO 80206 DOB: 1977	Executive Vice President and Co-Portfolio Manager Janus Henderson Enterprise Portfolio	11/07-Present	Vice President of Janus Capital and Portfolio Manager for other Janus Henderson accounts.
Cody Wheaton 151 Detroit Street Denver, CO 80206 DOB: 1978	Executive Vice President and Co-Portfolio Manager Janus Henderson Enterprise Portfolio	7/16-Present	Portfolio Manager for other Janus Henderson accounts and Analyst for Janus Capital.

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Bruce L. Koepfgen 151 Detroit Street Denver, CO 80206 DOB: 1952	President and Chief Executive Officer	7/14-Present	Head of North America at Janus Henderson Investors and Janus Capital Management LLC (since 2017); Executive Vice President and Director of Janus International Holding LLC (since 2011); Executive Vice President of Janus Distributors LLC (since 2011); Vice President and Director of INTECH Investment Management LLC (since 2011); Executive Vice President and Director of Perkins Investment Management LLC (since 2011); and Executive Vice President and Director of Janus Management Holdings Corporation (since 2011). Formerly, President of Janus Capital Group Inc. and Janus Capital Management LLC (2013-2017); Executive Vice President of Janus Services LLC (2011-2015), Janus Capital Group Inc. and Janus Capital Management LLC (2011-2013); and Chief Financial Officer of Janus Capital Group Inc., Janus Capital Management LLC, Janus Distributors LLC, Janus Management Holdings Corporation, and Janus Services LLC (2011-2013).

Janus Henderson VIT Enterprise Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Susan K. Wold 151 Detroit Street Denver, CO 80206 DOB: 1960	Vice President, Chief Compliance Officer, and Anti-Money Laundering Officer	9/17-Present	Senior Vice President and Head of Compliance, North America for Janus Henderson (since September 2017); Formerly, Vice President, Head of Global Corporate Compliance, and Chief Compliance Officer for Janus Capital Management LLC (May 2017-September 2017); Vice President, Compliance at Janus Capital Group Inc. and Janus Capital Management LLC (2005-2017).
Jesper Nergaard 151 Detroit Street Denver, CO 80206 DOB: 1962	Chief Financial Officer Vice President, Treasurer, and Principal Accounting Officer	3/05-Present 2/05-Present	Vice President of Janus Capital and Janus Services LLC.
Kathryn L. Santoro 151 Detroit Street Denver, CO 80206 DOB: 1974	Vice President, Chief Legal Counsel, and Secretary	12/16-Present	Vice President of Janus Capital and Janus Services LLC (since 2016). Formerly, Vice President and Associate Counsel of Curian Capital, LLC and Curian Clearing LLC (2013-2016); and General Counsel and Secretary (2011-2012) and Vice President (2009-2012) of Old Mutual Capital, Inc.

* Officers are elected at least annually by the Trustees for a one-year term and may also be elected from time to time by the Trustees for an interim period.

Janus Henderson VIT Enterprise Portfolio
Notes

Knowledge. Shared

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

Learn more by visiting janushenderson.com.

Janus Henderson
INVESTORS

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

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Portfolios distributed by Janus Henderson Distributors

109-02-81116 02-18

ANNUAL REPORT
December 31, 2017

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

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT Forty Portfolio

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Janus Henderson VIT Forty Portfolio (unaudited)

PORTFOLIO SNAPSHOT

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

Doug Rao
co-portfolio manager

Nick Schommer
co-portfolio manager

PERFORMANCE OVERVIEW

For the 12-month period ended December 31, 2017, Janus Henderson VIT Forty Portfolio's Institutional Shares and Service Shares returned 30.31% and 29.99%, respectively, versus a return of 30.21% for the Portfolio's primary benchmark, the Russell 1000® Growth Index. The Portfolio's secondary benchmark, the S&P 500® Index, returned 21.83% for the period.

INVESTMENT ENVIRONMENT

U.S. equities registered strong gains in 2017. Equities enjoyed a strong start to the year, as investors considered the potential impact of some of the Trump administration's proposed corporate tax cuts and pro-growth initiatives. Strong corporate earnings and signs of a strengthening global economy continued to bolster stocks throughout the year. U.S. equities continued to climb higher in the fourth quarter as corporate tax reform appeared likely, and was eventually signed into law. Volatility remained low throughout most of the year.

PERFORMANCE DISCUSSION

The Portfolio outperformed both 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 year we saw a number of companies in our portfolio put up impressive results, further validating our view that they are well positioned to grow in excess of the market.

Activision Blizzard was our largest contributor. Activision Blizzard's stock has appreciated as the market has begun to recognize that the company's digital transition enables a more durable cash flow stream and new avenues to monetize its franchises. As gaming moves from physical game cartridges toward digital platforms, it reduces costs for Activision and makes it less reliant on the release of a new gaming console to drive game sales. A digital gaming environment also allows Activision to sell digital items to gamers in real time. Going forward, we believe Activision can improve monetization of games it acquired from King Digital by inserting advertisements into those games for the first time. We also see a significant opportunity for the company to monetize viewership of its games through eSports.

Mastercard also added meaningfully to our results. The stock was up after the company raised guidance and issued an upbeat outlook at its investor day. We were encouraged to see the company is expanding its addressable market, moving more into business-to-business and business-to-consumer payments. Mastercard is a longtime holding that we have discussed in previous commentaries, and our reasons for owning the company remain the same. Over the long term, we believe payments companies such as Mastercard are poised to benefit as consumers and businesses switch from cash and check to plastic and electronic payments. Mastercard is 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 significant contributor. Better-than-expected earnings results have helped confirm Microsoft's successful transition from an on-premises software

company to a cloud-based business with a steady, subscription-based revenue model for many of its services. We continue to like the company's position as the second-largest enterprise cloud provider, and believe the company is well positioned for growth as businesses seek more cost-effective, cloud-based IT solutions.

While pleased with the performance of most stocks in our portfolio, we held companies that produced disappointing results. Celgene was our largest detractor. The stock was down after the company's fourth quarter announcement that it would discontinue a trial for one of its potential Crohn's disease treatments due to disappointing data on the drug. Also in the fourth quarter, Celgene lowered 2020 guidance and announced weaker-than-expected sales of its drug Otezla. While these results are disappointing, we continue to hold the stock. We believe the current valuation fails to give credit for the cash flow generation of its blood cancer drug, Revlimid, and that the market is underestimating the potential of some of the innovative treatments in Celgene's pipeline.

Allergan was another detractor. Patent disputes concerning Restasis, the firm's blockbuster medicine for dry eye, have weighed on the stock. A federal judge invalidated Allergan's patent. Meanwhile, several generic drug makers have also been challenging Allergan's patent through inter partes review (IPR). We've been disappointed with management's execution, but continue to hold the position and are optimistic about the duration of growth of the company's medical aesthetics franchise.

General Electric (GE) also detracted from our performance. We were disappointed in GE's cash flow conversion from its industrial businesses, and sold the position during the period.

OUTLOOK

We believe stock valuations are reasonable in the context of a low interest rate environment, but acknowledge that rising rates could pose a challenge for equity markets in 2018. That said, we like how our portfolio is positioned for a backdrop of rising interest rates.

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. Innovative companies tied to such themes should be able to demonstrate resilient earnings growth, which will be required to support valuations in a rising rate environment.

On the margins, we've also made a few changes to our portfolio, modestly reducing our technology exposure as some of our holdings approached their valuation targets, and increasing our exposure to the financial services industry. We believe these financial companies should benefit from a more favorable regulatory environment, tax reform and rising interest rates.

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

Janus Henderson VIT Forty Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Top Performers - Holdings

	Contribution
Activision Blizzard Inc	2.48%
Mastercard Inc	2.13%
Microsoft Corp	2.04%
Alphabet Inc	2.00%
Amazon.com Inc	1.93%

5 Bottom Performers - Holdings

	Contribution
Celgene Corp	-0.79%
Allergan PLC	-0.67%
General Electric Co	-0.40%
Bristol-Myers Squibb Co	-0.22%
DexCom Inc	-0.09%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Information Technology	4.77%	41.13%	35.35%
Consumer Discretionary	1.30%	14.84%	19.34%
Consumer Staples	1.19%	1.36%	7.98%
Telecom Services	0.30%	0.00%	1.00%
Energy	0.21%	0.00%	0.68%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Health Care	-4.71%	18.39%	14.65%
Other**	-1.03%	3.56%	0.00%
Industrials	-0.88%	5.84%	11.56%
Financials	-0.74%	9.45%	3.11%
Materials	-0.42%	3.65%	3.67%

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
December 31, 2017

5 Largest Equity Holdings - (% of Net Assets)

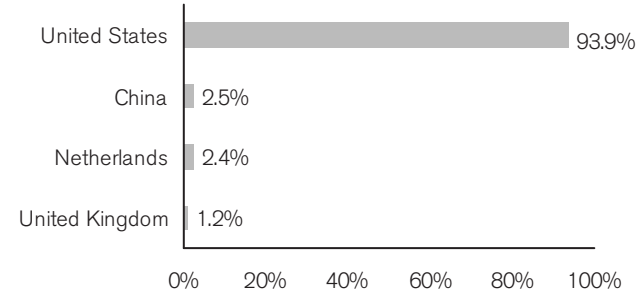
Alphabet Inc	
Internet Software & Services	5.9%
Mastercard Inc	
Information Technology Services	5.4%
salesforce.com Inc	
Software	4.9%
Microsoft Corp	
Software	4.8%
Activision Blizzard Inc	
Software	3.8%
	24.8%

Asset Allocation - (% of Net Assets)

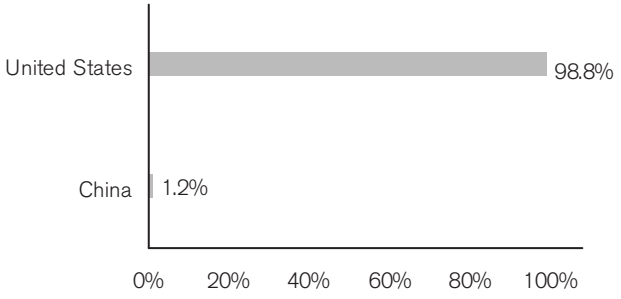
Common Stocks	96.0%
Investment Companies	5.0%
Other	(1.0)%
	100.0%

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

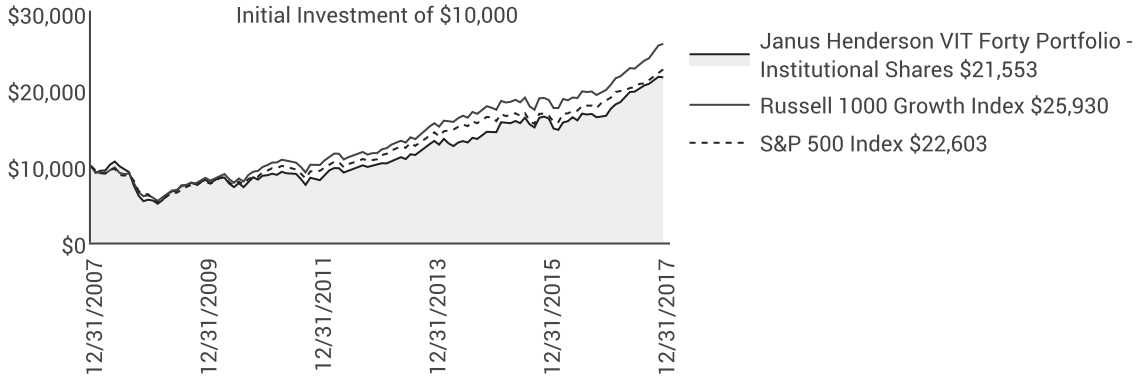
As of December 31, 2017



As of December 31, 2016



Janus Henderson VIT Forty Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended December 31, 2017					Expense Ratios - per the May 1, 2017 prospectuses
	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	30.31%	16.35%	7.98%	11.44%	0.74%
Service Shares	29.99%	16.06%	7.71%	11.13%	0.99%
Russell 1000 Growth Index	30.21%	17.33%	10.00%	7.67%	
S&P 500 Index	21.83%	15.79%	8.50%	8.03%	
Morningstar Quartile - Institutional Shares	2nd	2nd	3rd	1st	
Morningstar Ranking - based on total returns for Large Growth Funds	489/1,431	428/1,339	709/1,140	19/635	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 800.668.0434 or visit janushenderson.com/VITperformance.

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

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

High absolute short-term performance is not typical and may not be achieved in the future. Such results should not be the sole basis for evaluating material facts in making an investment decision.

Returns shown do not represent actual returns since they do not include insurance charges. Returns shown would have been lower had they included insurance charges.

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

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

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

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

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See important disclosures on the next page.

Janus Henderson VIT Forty 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 – May 1 ,1997

Janus Henderson VIT Forty Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. The example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

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

Hypothetical Example for Comparison Purposes
The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

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

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Net Annualized Expense Ratio (7/1/17 - 12/31/17)
Institutional Shares	$1,000.00	$1,094.70	$4.49	$1,000.00	$1,020.92	$4.33	0.85%
Service Shares	$1,000.00	$1,093.30	$5.80	$1,000.00	$1,019.66	$5.60	1.10%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 184/365 (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
December 31, 2017

	Shares	Value
Common Stocks – 96.0%		
Aerospace & Defense – 1.6%		
General Dynamics Corp	59,190	$12,042,205
Auto Components – 2.0%		
Aptiv PLC	182,068	15,444,828
Automobiles – 0.4%		
Tesla Inc*	10,251	3,191,649
Banks – 3.4%		
Citigroup Inc	351,521	26,156,678
Biotechnology – 6.3%		
Celgene Corp*	201,991	21,079,781
Regeneron Pharmaceuticals Inc*	49,844	18,739,350
Shire PLC (ADR)	59,393	9,213,042
		49,032,173
Capital Markets – 7.7%		
Charles Schwab Corp	361,578	18,574,262
Goldman Sachs Group Inc	76,202	19,413,222
Intercontinental Exchange Inc	310,057	21,877,622
		59,865,106
Chemicals – 2.9%		
Air Products & Chemicals Inc	21,710	3,562,177
Sherwin-Williams Co	45,567	18,684,293
		22,246,470
Construction Materials – 1.0%		
Vulcan Materials Co	61,911	7,947,515
Electronic Equipment, Instruments & Components – 1.5%		
TE Connectivity Ltd	125,056	11,885,322
Equity Real Estate Investment Trusts (REITs) – 2.1%		
American Tower Corp	112,448	16,042,956
Health Care Equipment & Supplies – 4.9%		
Boston Scientific Corp*	702,799	17,422,387
DexCom Inc*	97,161	5,576,070
Intuitive Surgical Inc*	41,356	15,092,459
		38,090,916
Health Care Providers & Services – 1.7%		
Humana Inc	54,017	13,399,997
Hotels, Restaurants & Leisure – 1.4%		
Starbucks Corp	186,126	10,689,216
Information Technology Services – 6.6%		
Mastercard Inc	274,704	41,579,197
PayPal Holdings Inc*	134,579	9,907,706
		51,486,903
Internet & Direct Marketing Retail – 7.5%		
Amazon.com Inc*	24,791	28,992,331
Ctrip.com International Ltd (ADR)*	211,818	9,341,174
Netflix Inc*	30,306	5,817,540
Priceline Group Inc*	8,123	14,115,662
		58,266,707
Internet Software & Services – 10.8%		
Alibaba Group Holding Ltd (ADR)*	59,790	10,309,590
Alphabet Inc - Class C*	43,499	45,517,353
CoStar Group Inc*	47,766	14,184,114
Facebook Inc*	77,325	13,644,769
		83,655,826
Media – 0.8%		
Live Nation Entertainment Inc*	151,779	6,461,232
Pharmaceuticals – 3.9%		
Allergan PLC	96,620	15,805,100
Zoetis Inc	195,015	14,048,881
		29,853,981

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

Janus Henderson VIT Forty Portfolio
Schedule of Investments
December 31, 2017

	Shares	*Value*
Common Stocks – (continued)		
Road & Rail – 1.5%		
CSX Corp	214,545	$11,802,120
Semiconductor & Semiconductor Equipment – 6.0%		
ASML Holding NV	108,844	18,919,264
Texas Instruments Inc	264,508	27,625,215
		46,544,479
Software – 16.5%		
Activision Blizzard Inc	468,734	29,680,237
Adobe Systems Inc*	113,062	19,812,985
Microsoft Corp	433,196	37,055,586
salesforce.com Inc*	375,333	38,370,293
Workday Inc*	33,479	3,406,153
		128,325,254
Technology Hardware, Storage & Peripherals – 3.5%		
Apple Inc	158,841	26,880,662
Textiles, Apparel & Luxury Goods – 2.0%		
NIKE Inc	252,646	15,803,007
Total Common Stocks (cost $521,936,250)		745,115,202
Investment Companies – 5.0%		
Money Markets – 5.0%		
Janus Cash Liquidity Fund LLC, 1.2731%[∞,£] (cost $38,903,503)	38,903,503	38,903,503
Total Investments (total cost $560,839,753) – 101.0%		784,018,705
Liabilities, net of Cash, Receivables and Other Assets – (1.0)%		(7,791,873)
Net Assets – 100%		$776,226,832

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

Country	*Value*	*% of Investment Securities*
United States	$736,235,635	93.9 %
China	19,650,764	2.5
Netherlands	18,919,264	2.4
United Kingdom	9,213,042	1.2
Total	$784,018,705	100.0 %

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

Janus Henderson VIT Forty Portfolio
Schedule of Investments
December 31, 2017

Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income[1]	Realized Gain/(Loss)[1]	Change in Unrealized Appreciation/ Depreciation[1]	Value at 12/31/17
Investment Companies – 5.0%				
Investments Purchased with Cash Collateral from Securities Lending – 0%				
Janus Cash Collateral Fund LLC, 1.2573%∞	$ 202Δ	$ —	$ —	$ —
Money Markets – 5.0%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	233,019	—	—	38,903,503
Total Affiliated Investments – 5.0%	$ 233,221	$ —	$ —	$ 38,903,503

(1) For securities that were affiliated for a portion of the year ended December 31, 2017, this column reflects amounts for the entire year ended December 31, 2017 and not just the period in which the security was affiliated.

	Share Balance at 12/31/16	Purchases	Sales	Share Balance at 12/31/17
Investment Companies – 5.0%				
Investments Purchased with Cash Collateral from Securities Lending – 0%				
Janus Cash Collateral Fund LLC, 1.2573%∞	—	16,693,600	(16,693,600)	—
Money Markets – 5.0%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	8,949,000	286,910,503	(256,956,000)	38,903,503

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

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

*	Non-income producing security.
°°	Rate shown is the 7-day yield as of December 31, 2017.
£	The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.
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 December 31, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	*Level 2 - Other Significant Observable Inputs*	*Level 3 - Significant Unobservable Inputs*
Assets			
Investments in Securities:			
Common Stocks	$ 745,115,202	$ -	$ -
Investment Companies	-	38,903,503	-
Total Assets	$ 745,115,202	$ 38,903,503	$ -

Janus Henderson VIT Forty Portfolio
Statement of Assets and Liabilities
December 31, 2017

Assets:		
Unaffiliated investments, at value[1]	$	745,115,202
Affiliated investments, at value[2]		38,903,503
Non-interested Trustees' deferred compensation		14,921
Receivables:		
Investments sold		410,796
Dividends		165,386
Portfolio shares sold		149,511
Dividends from affiliates		31,645
Other assets		6,799
Total Assets		784,797,763
Liabilities:		
Due to custodian		11,089
Payables:		
Portfolio shares repurchased		4,785,246
Investments purchased		3,024,939
Advisory fees		480,381
12b-1 Distribution and shareholder servicing fees		103,145
Transfer agent fees and expenses		36,571
Professional fees		28,989
Non-interested Trustees' deferred compensation fees		14,921
Non-interested Trustees' fees and expenses		5,555
Portfolio administration fees		5,375
Custodian fees		2,726
Accrued expenses and other payables		71,994
Total Liabilities		8,570,931
Net Assets	$	776,226,832
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	438,539,598
Undistributed net investment income/(loss)		(14,921)
Undistributed net realized gain/(loss) from investments and foreign currency transactions		114,520,485
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		223,181,670
Total Net Assets	$	776,226,832
Net Assets - Institutional Shares	$	309,258,324
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		7,778,394
Net Asset Value Per Share	$	39.76
Net Assets - Service Shares	$	466,968,508
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		12,340,917
Net Asset Value Per Share	$	37.84

(1) Includes cost of $521,936,250.
(2) Includes cost of $38,903,503.

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio
Statement of Operations
For the year ended December 31, 2017

Investment Income:		
Dividends	$	6,323,264
Dividends from affiliates		233,019
Affiliated securities lending income, net		202
Other income		39
Foreign tax withheld		(16,123)
Total Investment Income		6,540,401
Expenses:		
Advisory fees		5,457,390
12b-1Distribution and shareholder servicing fees:		
Service Shares		1,140,191
Transfer agent administrative fees and expenses:		
Institutional Shares		148,265
Service Shares		228,038
Other transfer agent fees and expenses:		
Institutional Shares		10,216
Service Shares		9,000
Shareholder reports expense		69,906
Portfolio administration fees		64,309
Professional fees		37,626
Registration fees		24,367
Custodian fees		21,378
Non-interested Trustees' fees and expenses		16,918
Other expenses		44,517
Total Expenses		7,272,121
Net Investment Income/(Loss)		(731,720)
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		115,587,643
Total Net Realized Gain/(Loss) on Investments		115,587,643
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		79,778,500
Total Change in Unrealized Net Appreciation/Depreciation		79,778,500
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	194,634,423

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio
Statements of Changes in Net Assets

	Year ended December 31, 2017	Year ended December 31, 2016
Operations:		
Net investment income/(loss)	$ (731,720)	$ (19,397)
Net realized gain/(loss) on investments	115,587,643	40,288,179
Change in unrealized net appreciation/depreciation	79,778,500	(26,711,467)
Net Increase/(Decrease) in Net Assets Resulting from Operations	194,634,423	13,557,315
Dividends and Distributions to Shareholders:		
Distributions from Net Realized Gain from Investment Transactions		
Institutional Shares	(15,738,032)	(37,062,653)
Service Shares	(24,926,390)	(65,123,788)
Net Decrease from Dividends and Distributions to Shareholders	(40,664,422)	(102,186,441)
Capital Share Transactions:		
Institutional Shares	(8,524,718)	(7,170,480)
Service Shares	(56,736,961)	(13,410,718)
Net Increase/(Decrease) from Capital Share Transactions	(65,261,679)	(20,581,198)
Net Increase/(Decrease) in Net Assets	88,708,322	(109,210,324)
Net Assets:		
Beginning of period	687,518,510	796,728,834
End of period	$ 776,226,832	$ 687,518,510
Undistributed Net Investment Income/(Loss)	$ (14,921)	$ 121,926

See Notes to Financial Statements.

Janus Henderson VIT Forty Portfolio
Financial Highlights

Institutional Shares

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

Service Shares

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

* Total return not annualized for periods of less than one full year.
** Annualized for periods of less than one full year.
(1) Per share amounts are calculated based on average shares outstanding during the year or period.
(2) Less than $0.005 on a per share basis.

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Henderson VIT Forty Portfolio (formerly named Janus Aspen Forty Portfolio) (the "Portfolio") is a series of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers 12 portfolios, each of which offers multiple share classes, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio is classified as nondiversified, as defined in the 1940 Act.

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

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

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

Investment Valuation

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

Valuation Inputs Summary

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

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

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

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

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

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

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

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of December 31, 2017 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

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

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

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

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

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

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

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

2. Other Investments and Strategies

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

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

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, 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.

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

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

The cash collateral invested by Janus Capital is disclosed in the Schedule of Investments (if applicable). Income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the lending agent are included as “Affiliated securities lending income, net” on the Statement of Operations. There were no securities on loan as of December 31, 2017.

3. Investment Advisory Agreements and Other Transactions with Affiliates

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

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

The calculation of the performance adjustment applies as follows:

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

The investment advisory fee rate paid to Janus Capital by the Portfolio consists of two components: (1) a base fee calculated by applying the contractual fixed rate of the advisory fee to the Portfolio's average daily net assets during the previous month ("Base Fee Rate"), plus or minus (2) a performance-fee adjustment ("Performance Adjustment") calculated by applying a variable rate of up to 0.15% (positive or negative) to the Portfolio's average daily net assets based on the Portfolio's relative performance compared to the cumulative investment record of its benchmark index over a 36-month performance measurement period or shorter time period, as applicable.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the year ended December 31, 2017, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.72%.

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

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

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

Janus Capital furnishes certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio and providing personnel to serve as officers to the Portfolio. The Portfolio reimburses Janus Capital for certain of its costs in providing these services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These costs include some or all of the salaries, fees, and expenses of Janus Capital employees and Portfolio officers, including the Portfolio's Chief Compliance Officer and compliance staff, who provide specified administration and compliance services to the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Total compensation of $17,105 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the year ended December 31, 2017. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus

Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of December 31, 2017 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the year ended December 31, 2017 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $416,450 were paid by the Trust to the Trustees under the Deferred Plan during the year ended December 31, 2017.

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

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the year ended December 31, 2017 can be found in a table 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 year ended December 31, 2017, the Portfolio engaged in cross trades amounting to $30,250,413 in sales, resulting in a net realized gain of $7,731,992. The net realized gain is included within the "Net Realized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

4. Federal Income Tax

The tax components of capital shown in the table below represent: (1) distribution requirements the Portfolio must satisfy under the income tax regulations; (2) losses or deductions the Portfolio may be able to offset against income and gains realized in future years; and (3) unrealized appreciation or depreciation of investments for federal income tax purposes.

Other book to tax differences primarily consist of deferred compensation. 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.

Undistributed Ordinary Income	Undistributed Long-Term Gains	Accumulated Capital Losses	Loss Deferrals Late-Year Ordinary Loss	Loss Deferrals Post-October Capital Loss	Other Book to Tax Differences	Net Tax Appreciation/ (Depreciation)
$ 9,774,498	$ 105,016,326	$ -	$ -	$ -	$ (12,204)	$222,908,614

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of December 31, 2017 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Tax Appreciation/ (Depreciation)
$ 561,110,091	$229,937,793	$ (7,029,179)	$ 222,908,614

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. Certain permanent differences such as tax returns of capital and net investment losses noted below have been reclassified to capital.

For the year ended December 31, 2017

Distributions			
From Ordinary Income	From Long-Term Capital Gains	Tax Return of Capital	Net Investment Loss
$ -	$ 40,664,422	$ -	$ -

For the year ended December 31, 2016

Distributions			
From Ordinary Income	From Long-Term Capital Gains	Tax Return of Capital	Net Investment Loss
$ 6,435,775	$ 95,750,666	$ -	$ (166,998)

Permanent book to tax basis differences may result in reclassifications between the components of net assets. These differences have no impact on the results of operations or net assets. The following reclassifications have been made to the Portfolio:

Increase/(Decrease) to Capital	Increase/(Decrease) to Undistributed Net Investment Income/Loss	Increase/(Decrease) to Undistributed Net Realized Gain/Loss
$ -	$ 594,873	$ (594,873)

5. Capital Share Transactions

	Year ended December 31, 2017		Year ended December 31, 2016	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	790,876	$ 28,902,402	699,774	$ 23,356,199
Reinvested dividends and distributions	427,548	15,738,032	1,192,492	37,062,653
Shares repurchased	(1,424,785)	(53,165,152)	(2,038,134)	(67,589,332)
Net Increase/(Decrease)	(206,361)	$ (8,524,718)	(145,868)	$ (7,170,480)
Service Shares:				
Shares sold	1,169,490	$ 40,949,527	1,166,469	$ 37,891,921
Reinvested dividends and distributions	710,558	24,926,390	2,187,564	65,123,788
Shares repurchased	(3,522,268)	(122,612,878)	(3,651,743)	(116,426,427)
Net Increase/(Decrease)	(1,642,220)	$(56,736,961)	(297,710)	$(13,410,718)

6. Purchases and Sales of Investment Securities

For the year ended December 31, 2017, 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*
$285,253,584	$ 416,415,195	$ -	$ -

7. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X was August 1, 2017. This report incorporates the amendments to Regulation S-X.

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

8. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. (“JCGI”), the direct parent of Janus Capital, and Henderson Group plc (“Henderson”) announced that they had entered into an Agreement and Plan of Merger (“Merger Agreement”) relating to the strategic combination of Henderson and JCGI (the “Merger”). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson merged with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson. The Merger was effective May 30, 2017.

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

On December 8, 2016, the Trustees approved, subject to shareholder approval, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the

Portfolio following the closing of the Merger (the "Post-Merger Advisory Agreement"). At the same meeting, the Trustees approved submitting the Post-Merger Advisory Agreement, among other proposals, to Portfolio shareholders for approval.

Special Meeting(s) of Shareholders were held on April 6, 2017, and adjourned and reconvened on April 18, 2017.

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

9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to December 31, 2017 and through the date of issuance of the Portfolio's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio's financial statements.

Janus Henderson VIT Forty Portfolio
Independent Auditor's Report

To the Board of Trustees of Janus Aspen Series and Shareholders of Janus Henderson VIT Forty Portfolio:

Opinion on the Financial Statements
We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Janus Henderson VIT Forty Portfolio (one of the portfolios constituting Janus Aspen Series, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statements of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado
February 16, 2018

We have served as the auditor of one or more investment companies in Janus Henderson Funds since 1990.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at janushenderson.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janushenderson.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Full Holdings

The Portfolio is required to disclose its complete holdings in the quarterly holdings report on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free) . Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 14 Funds that utilize subadvisers.

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

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which closed in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2018 through February 1, 2019, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the

agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

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

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

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

Asset Allocation Funds

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

quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

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

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

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

Money Market Funds

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

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

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

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

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

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

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

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of

that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

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

Alternative Funds

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

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

- For Janus Henderson Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson European Focus Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Value Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson All Asset Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Research Fund, the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were limited in accuracy by differences in complex size, business mix, institutional account orientation and other factors, after accepting these limitations, the level of profit earned by Janus Capital's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing certain of these Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

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

January 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the

investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

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

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

At a meeting held on January 26, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2017 through February 1, 2018, subject to earlier termination as provided for in each agreement.

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

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided

its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% of the Funds were in the top two Broadridge quartiles of performance.

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

Fixed-Income Funds and Money Market Funds

- For Janus Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the

bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

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

Alternative Fund

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

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.

- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

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

- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen Intech U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

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

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

Fixed-Income Funds and Money Market Funds

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

classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's

expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

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

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to

limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

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

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the

Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

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

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a

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

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 December 31, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson in general.

Performance Overviews

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

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

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

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

Schedule of Investments

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

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

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

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

Statement of Assets and Liabilities

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

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

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

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

Statement of Operations

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

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

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

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

Statements of Changes in Net Assets

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

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

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

Financial Highlights

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

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

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

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

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

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

Janus Henderson VIT Forty Portfolio
Shareholder Meeting (unaudited)

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

Proposals

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

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

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

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

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.946	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					Percentage Voted (%)				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.342	90.950	9.050	0.000	0.000	100.000

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

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

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

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

Janus Henderson VIT Forty Portfolio
Designation Requirements (unaudited)

For federal income tax purposes, the Portfolio designated the following for the year ended December 31, 2017:

Capital Gain Distributions	$40,664,422

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

The Portfolio's Statement of Additional Information includes additional information about the Trustees and officers and is available, without charge, by calling 1-877-335-2687.

The following are the Trustees and officers of the Trust, together with a brief description of their principal occupations during the last five years (principal occupations for certain Trustees may include periods over five years).

Each Trustee has served in that capacity since he or she was originally elected or appointed. The Trustees do not serve a specified term of office. Each Trustee will hold office until the termination of the Trust or his or her earlier death, resignation, retirement, incapacity, or removal. Under the Portfolio's Governance Procedures and Guidelines, the policy is for Trustees to retire no later than the end of the calendar year in which the Trustee turns 75. The Trustees review the Portfolio's Governance Procedures and Guidelines from time to time and may make changes they deem appropriate. The Portfolio's Nominating and Governance Committee will consider nominees for the position of Trustee recommended by shareholders. Shareholders may submit the name of a candidate for consideration by the Committee by submitting their recommendations to the Trust's Secretary. Each Trustee is currently a Trustee of one other registered investment company advised by Janus Capital: Janus Investment Fund. Collectively, these two registered investment companies consist of 58 series or funds.

The Trust's officers are elected annually by the Trustees for a one-year term. Certain officers also serve as officers of Janus Investment Fund. Certain officers of the Portfolio may also be officers and/or directors of Janus Capital. Except as otherwise disclosed, Portfolio officers receive no compensation from the Portfolio, except for the Portfolio's Chief Compliance Officer, as authorized by the Trustees.

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William F. McCalpin 151 Detroit Street Denver, CO 80206 DOB: 1957	Chairman Trustee	1/08-Present 6/02-Present	Managing Partner, Impact Investments, Athena Capital Advisors LLC (independent registered investment advisor) (since 2016) and Managing Director, Holos Consulting LLC (provides consulting services to foundations and other nonprofit organizations). Formerly, Chief Executive Officer, Imprint Capital (impact investment firm) (2013-2015) and Executive Vice President and Chief Operating Officer of The Rockefeller Brothers Fund (a private family foundation) (1998-2006).	63	Director of Mutual Fund Directors Forum (a non-profit organization serving independent directors of U.S. mutual funds), Chairman of the Board and Trustee of The Investment Fund for Foundations Investment Program (TIP) (consisting of 2 funds), and Director of the F.B. Heron Foundation (a private grantmaking foundation).

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Alan A. Brown 151 Detroit Street Denver, CO 80206 DOB: 1962	Trustee	1/13-Present	Executive Vice President, Institutional Markets, of Black Creek Group (private equity real estate investment management firm) (since 2012). Formerly, Executive Vice President and Co-Head, Global Private Client Group (2007-2010), Executive Vice President, Mutual Funds (2005-2007), and Chief Marketing Officer (2001-2005) of Nuveen Investments, Inc. (asset management).	63	Director of WTTW (PBS affiliate) (since 2003). Formerly, Director of MotiveQuest LLC (strategic social market research company) (2003-2016); Director of Nuveen Global Investors LLC (2007-2011); Director of Communities in Schools (2004-2010); and Director of Mutual Fund Education Alliance (until 2010).

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William D. Cvengros 151 Detroit Street Denver, CO 80206 DOB: 1948	Trustee	1/11-Present	Managing Member and Chief Executive Officer of SJC Capital, LLC (a personal investment company and consulting firm) (since 2002). Formerly, Venture Partner for The Edgewater Funds (a middle market private equity firm) (2002-2004); Chief Executive Officer and President of PIMCO Advisors Holdings L.P. (a publicly traded investment management firm) (1994-2000); and Chief Investment Officer of Pacific Life Insurance Company (a mutual life insurance and annuity company) (1987-1994).	63	Advisory Board Member, Innovate Partners Emerging Growth and Equity Fund I (early stage venture capital fund) (since 2014) and Managing Trustee of National Retirement Partners Liquidating Trust (since 2013). Formerly, Chairman, National Retirement Partners, Inc. (formerly a network of advisors to 401(k) plans) (2005-2013); Director of Prospect Acquisition Corp. (a special purpose acquisition corporation) (2007-2009); Director of RemedyTemp, Inc. (temporary help services company) (1996-2006); and Trustee of PIMCO Funds Multi-Manager Series (1990-2000) and Pacific Life Variable Life & Annuity Trusts (1987-1994).

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Raudline Etienne 151 Detroit Street Denver, CO 80206 DOB: 1965	Trustee	6/16-Present	Founder, Daraja Capital (advisory and investment firm) (since 2016), and Senior Advisor, Albright Stonebridge Group LLC (global strategy firm) (since 2016). Formerly, Senior Vice President (2011-2015), Albright Stonebridge Group LLC; and Deputy Comptroller and Chief Investment Officer, New York State Common Retirement Fund (public pension fund) (2008-2011).	63	Director of Brightwood Capital Advisors, LLC (since 2014).

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Gary A. Poliner 151 Detroit Street Denver, CO 80206 DOB: 1953	Trustee	6/16-Present	Retired. Formerly, President (2010-2013) of Northwestern Mutual Life Insurance Company.	63	Director of MGIC Investment Corporation (private mortgage insurance) (since 2013) and West Bend Mutual Insurance Company (property/casualty insurance) (since 2013). Formerly, Trustee of Northwestern Mutual Life Insurance Company (2010-2013); Chairman and Director of Northwestern Mutual Series Fund, Inc. (2010-2012); and Director of Frank Russell Company (global asset management firm) (2008-2013).

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
James T. Rothe 151 Detroit Street Denver, CO 80206 DOB: 1943	Trustee	1/97-Present	Co-founder and Managing Director of Roaring Fork Capital SBIC, L.P. (SBA SBIC fund focusing on private investment in public equity firms), and Professor Emeritus of Business of the University of Colorado, Colorado Springs, CO (since 2004). Formerly, Professor of Business of the University of Colorado (2002-2004), and Distinguished Visiting Professor of Business (2001-2002) of Thunderbird (American Graduate School of International Management), Glendale, AZ.	63	Formerly, Director of Red Robin Gourmet Burgers, Inc. (RRGB) (2004-2014).
William D. Stewart 151 Detroit Street Denver, CO 80206 DOB: 1944	Trustee	9/93-Present	Retired. Formerly, President and founder of HPS Products and Corporate Vice President of MKS Instruments, Boulder, CO (a provider of advanced process control systems for the semiconductor industry) (1976-2012).	63	None

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Diane L. Wallace 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	6/17-Present	Retired.		Formerly, Independent Trustee, Henderson Global Funds (13 portfolios) (2015-2017); Independent Trustee, State Farm Associates' Funds Trust, State Farm Mutual Fund Trust, and State Farm Variable Product Trust (28 portfolios) 2013-2017; Chief Operating Officer, Senior Vice President-Operations, and Chief Financial Officer for Driehaus Capital Management, LLC; and Treasurer for Driehau Mutual Funds.

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Linda S. Wolf 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	12/05-Present	Retired. Formerly, Chairman and Chief Executive Officer of Leo Burnett (Worldwide) (advertising agency) (2001-2005).	63	Director of Chicago Community Trust (Regional Community Foundation), Chicago Council on Global Affairs, InnerWorkings (U.S. provider of print procurement solutions to corporate clients), Lurie Children's Hospital (Chicago, IL), Shirley Ryan Ability Lab and Wrapports, LLC (digital communications company). Formerly, Director of Walmart (until 2017), Director of Chicago Convention & Tourism Bureau (until 2014) and The Field Museum of Natural History (Chicago, IL) (until 2014).

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
A. Douglas Rao 151 Detroit Street Denver, CO 80206 DOB: 1974	Executive Vice President and Co-Portfolio Manager Janus Henderson Forty Portfolio	6/13-Present	Portfolio Manager for other Janus Henderson accounts. Formerly, Partner and Portfolio Manager for Chautauqua Capital Management (2012-2013) and Portfolio Manager for Marsico Capital Management, LLC (2007-2012).
Nick Schommer 151 Detroit Street Denver, CO 80206 DOB: 1978	Executive Vice President and Co-Portfolio Manager Janus Henderson Forty Portfolio	1/16-Present	Portfolio Manager for other Janus Henderson accounts and Analyst for Janus Capital.
Bruce L. Koepfgen 151 Detroit Street Denver, CO 80206 DOB: 1952	President and Chief Executive Officer	7/14-Present	Head of North America at Janus Henderson Investors and Janus Capital Management LLC (since 2017); Executive Vice President and Director of Janus International Holding LLC (since 2011); Executive Vice President of Janus Distributors LLC (since 2011); Vice President and Director of INTECH Investment Management LLC (since 2011); Executive Vice President and Director of Perkins Investment Management LLC (since 2011); and Executive Vice President and Director of Janus Management Holdings Corporation (since 2011). Formerly, President of Janus Capital Group Inc. and Janus Capital Management LLC (2013-2017); Executive Vice President of Janus Services LLC (2011-2015), Janus Capital Group Inc. and Janus Capital Management LLC (2011-2013); and Chief Financial Officer of Janus Capital Group Inc., Janus Capital Management LLC, Janus Distributors LLC, Janus Management Holdings Corporation, and Janus Services LLC (2011-2013).

Janus Henderson VIT Forty Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Susan K. Wold 151 Detroit Street Denver, CO 80206 DOB: 1960	Vice President, Chief Compliance Officer, and Anti-Money Laundering Officer	9/17-Present	Senior Vice President and Head of Compliance, North America for Janus Henderson (since September 2017); Formerly, Vice President, Head of Global Corporate Compliance, and Chief Compliance Officer for Janus Capital Management LLC (May 2017-September 2017); Vice President, Compliance at Janus Capital Group Inc. and Janus Capital Management LLC (2005-2017).
Jesper Nergaard 151 Detroit Street Denver, CO 80206 DOB: 1962	Chief Financial Officer Vice President, Treasurer, and Principal Accounting Officer	3/05-Present 2/05-Present	Vice President of Janus Capital and Janus Services LLC.
Kathryn L. Santoro 151 Detroit Street Denver, CO 80206 DOB: 1974	Vice President, Chief Legal Counsel, and Secretary	12/16-Present	Vice President of Janus Capital and Janus Services LLC (since 2016). Formerly, Vice President and Associate Counsel of Curian Capital, LLC and Curian Clearing LLC (2013-2016); and General Counsel and Secretary (2011-2012) and Vice President (2009-2012) of Old Mutual Capital, Inc.

* Officers are elected at least annually by the Trustees for a one-year term and may also be elected from time to time by the Trustees for an interim period.

Knowledge. Shared

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

Learn more by visiting janushenderson.com.

Janus Henderson
INVESTORS

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

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Portfolios distributed by Janus Henderson Distributors

109-02-81115 02-18

ANNUAL REPORT
December 31, 2017

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

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT Global Research Portfolio

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Janus Henderson VIT Global Research Portfolio (unaudited)

PORTFOLIO SNAPSHOT

We believe that the best way to generate consistent excess returns is stock picking based on independent research. We focus the risks of the portfolio on what we are good at – research and stock selection – and seek to avoid unnecessary risks – macro risks and other portfolio biases. Therefore, we let sector experts drive the process and pick their best ideas, and use a portfolio oversight team to monitor the risk of the portfolio and keep it focused on stock selection.

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

PERFORMANCE SUMMARY

Janus Henderson Global Research Portfolio's Institutional Shares and Service Shares returned 27.03% and 26.68%, respectively, over the 12-month period ended December 31, 2017, while its primary benchmark, the MSCI World Index, returned 22.40%. The Portfolio's secondary benchmark, the MSCI All Country World Index, returned 23.97%.

MARKET ENVIRONMENT

Global stocks delivered impressive gains during the year. Partly fueling the rally was synchronized growth among major economies. Emerging markets, in aggregate, outpaced their developed market peers with Hong Kong-listed Chinese shares, along with Indian and Brazilian stocks, performing especially well. Within advanced economies, returns registered by U.S. and Japanese benchmarks far exceeded those of major European countries. The U.S. rally was bolstered by expectations that the Trump administration would champion a pro-growth agenda. After early missteps and failure to pass health care reform, a tax deal was signed into law by the end of the period. Japanese shares rose during the autumn as Prime Minister Shinzo Abe strengthened his reform mandate by winning parliamentary elections. The UK's Theresa May was less successful in a similar tactic as her Conservative Party lost its majority in the House of Commons. Politics also cast a shadow on the continent. Early in the period, strong results by populist movements threatened several countries' political establishment. Emmanuel Macron's victory in France's presidential race, however, appeared to stem the insurgents' momentum. Corporate earnings remained buoyant throughout the period. All stock sectors delivered positive returns, led by technology and materials. Telecommunications and energy lagged the broader market.

PERFORMANCE DISCUSSION

Our six global sector teams employ a bottom-up, fundamental approach to identify what we consider the best global opportunities. Our analysts take a long-term view of companies with a focus on value creation and duration of growth, which lead to high returns on invested capital. The Portfolio directly captures the insights of our teams through their highest-conviction ideas. In building a diversified portfolio, we seek to minimize macroeconomic risks while generating superior performance over longer periods.

Contributing most to relative returns were the Portfolio's selection of financials and technology stocks. Underperformance was concentrated in health care.

Shares in Alphabet, the parent company of Google, rose early in the period on the back of a favorable earnings report. For the prior quarter, the company exceeded market expectations on both revenue and earnings. Revenue in the search/YouTube segment accelerated to 23% year over year, proving that mobile search remains healthy. For perspective, mobile devices accounted for only 2% of searches in 2012; by 2019, they are forecasted to reach 60%. As Alphabet's business has shifted toward mobile, the company has had to incur higher traffic acquisition costs (TAC), which can adversely impact margins. We believe the TAC pace should slow as the traffic mix stabilizes. Outside of search, Google Network saw revenues accelerate and orders for the Pixel 2 smartphone were strong. Also within the report, a common measure of operating margins was shown to have risen over three percentage points to 34.9%.

Cosmetics maker Estée Lauder was a top contributor. The company released a well-received earnings report in which it beat consensus estimates for both sales and earnings per share (EPS). Results were strong in the U.S., China and the Europe, Middle East and Africa (EMEA) region, which includes the lucrative European travel

segment. Operating margins – the focus of a productivity program implemented by management – expanded at a healthy pace. However, gross margins slightly narrowed. Investor optimism was also buttressed by management raising full-year guidance for both revenue and EPS. We think the maker of skin care, makeup, fragrance and hair care products is well positioned and making the right investments to capitalize on high growth in beauty spending globally and prestige beauty spending in emerging markets.

NRG Energy was a top contributor. We have long felt the market was overly focused on the volatility of the utility company's earnings and that NRG wasn't getting enough credit for its cash flow generation potential. During the period, the company concluded a four-month evaluation of its businesses, announcing a plan to shed some businesses, cut costs and deleverage. Management's articulation of this strategy has simplified the investment thesis and helped the market understand how the company plans to stabilize cash flows and realize significant cash generation from asset sales, which it intends to use to buy back stock. The details of the plan helped lift the stock significantly, but we still see upside going forward.

Pharmaceutical company Allergan detracted. Patent disputes – which ultimately resulted in the invalidation of Allergan's patent – concerning Restasis, the firm's blockbuster medicine for dry eye – weighed on the stock. The arrival of a new competitor for the company's popular wrinkle treatment Botox further weighed on the stock during the period. Given our concerns around these issues, we are reviewing our position.

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

Anadarko Petroleum was another detractor. Falling oil prices hurt the stock, as did news that an uncapped underground gas pipe from an Anadarko well caused a Colorado home explosion early in the period. We are sensitive to the news about the explosion, but believe investors are overly concerned with the outlook for future Denver-Julesburg Basin development. Also weighing on performance were underwhelming drilling results in the Delaware Basin, which were a function of Anadarko's desire to capture operatorship across an area of mutual interest with Royal Dutch Shell. We expect that well performance and capital efficiency will meaningfully improve as Anadarko moves toward full development mode.

OUTLOOK

As we start 2018, we believe equities are fully priced, but not overvalued. We see global markets that can maintain multiples and, thus, move with earnings growth. And with macro concerns less prominent, we also think risk will be at the stock level, helping minimize overall volatility.

That said, investors remain edgy about the stock market's multiyear rally and could get easily spooked. We also are not without worry. Although there is no age limit for a bull market and the recovery from the last downturn has been slower than usual, the normalization of central bank policy or a flattening yield curve could unsettle investors.

However, we also recognize many positive trends. For one, U.S. stocks reflected improving company fundamentals in 2017, and we think that trend will continue in 2018. Global economic growth, high corporate and consumer confidence levels, low inflation, low long-term rates, and, importantly, tax reform for U.S. corporations could lift profits and spur capital expenditures. We also think clarity on tax policy should prompt more acquisitions, a market positive. Meanwhile, Europe's recovery is on track, and China continues to report a stabilizing and growing economy, despite concerns about the country's debt levels.

At a sector level, it may be tempting to be defensive late in the business cycle. But we believe it is important to recognize long-term secular trends. So in addition to favoring economically resilient sectors, we think maintaining exposure to growth opportunities in health care and technology is key. These stocks are not immune to a market correction, but we believe the powerful transformations that are occurring in these areas are enduring.

With 2018 equity markets likely driven by company fundamentals, data points in quarterly earnings will become even more important. An edgy bear could be quick to strike, and there will be days when the news raises fears. Stay calm. We believe 2018 is a time for leading companies to distinguish themselves from competitors, and for investors who focus on these firms to do the same.

Janus Henderson VIT Global Research Portfolio (unaudited)

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

Janus Henderson VIT Global Research Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Top Performers - Holdings

	Contribution
Alphabet Inc - Class C	0.87%
NRG Energy Inc	0.84%
AIA Group Ltd	0.83%
Estee Lauder Cos Inc	0.79%
Alibaba Group Holding Ltd (ADR)	0.66%

5 Bottom Performers - Holdings

	Contribution
Allergan PLC	-0.29%
Anadarko Petroleum Corp	-0.22%
Antero Resources Corp	-0.16%
Alder Biopharmaceuticals Inc	-0.15%
Kroger Co	-0.12%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Information Technology	2.12%	19.95%	15.96%
Financials	1.16%	16.51%	17.89%
Utilities	0.95%	2.45%	3.18%
Consumer Staples	0.83%	8.83%	9.51%
Consumer Discretionary	0.69%	11.63%	12.27%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	MSCI World Index Weighting
Health Care	-1.28%	12.46%	12.21%
Materials	-0.50%	3.38%	5.07%
Energy	-0.50%	6.98%	6.34%
Industrials	-0.33%	14.36%	11.39%
Other**	-0.14%	0.57%	0.00%

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

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

** Not a covered sector.

Janus Henderson VIT Global Research Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Largest Equity Holdings - (% of Net Assets)

Alphabet Inc - Class C	
Internet Software & Services	2.7%
JPMorgan Chase & Co	
Banks	1.9%
Safran SA	
Aerospace & Defense	1.7%
Coca-Cola Co	
Beverages	1.7%
Wells Fargo & Co	
Banks	1.6%
	9.6%

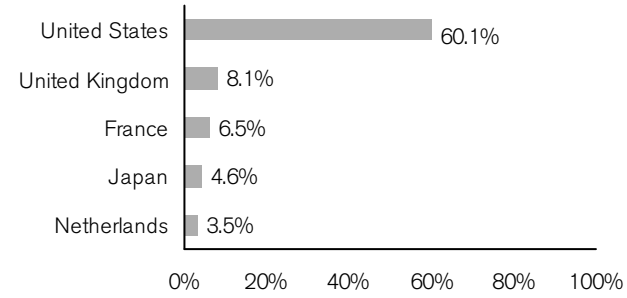
Asset Allocation - (% of Net Assets)

Common Stocks	99.2%
Investment Companies	0.7%
Other	0.1%
	100.0%

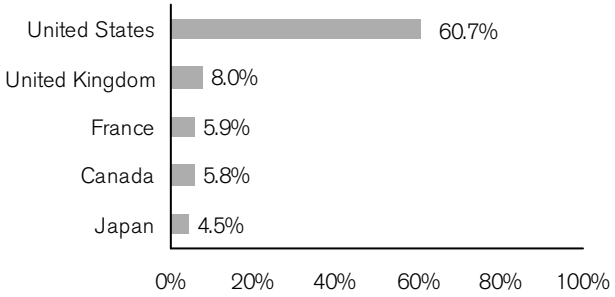
Emerging markets comprised 6.5% of total net assets.

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

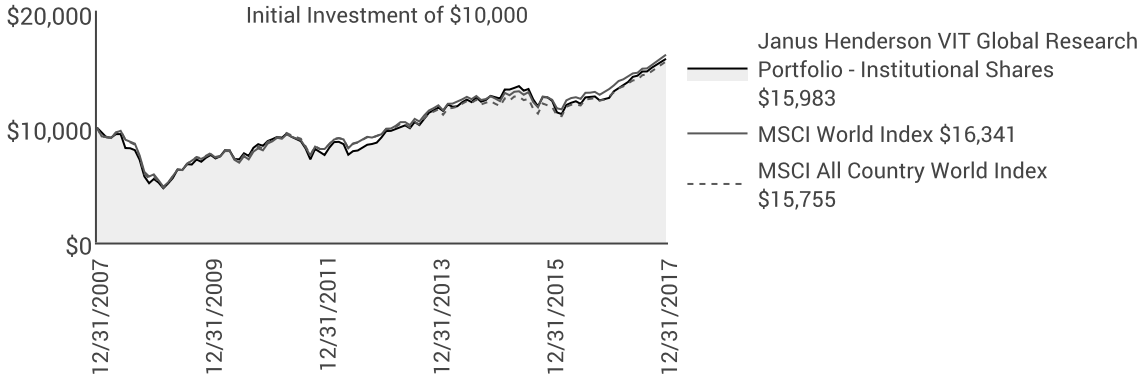
As of December 31, 2017



As of December 31, 2016



Janus Henderson VIT Global Research Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended December 31, 2017	One Year	Five Year	Ten Year	Since Inception*	Expense Ratios - per the May 1, 2017 prospectuses: Total Annual Fund Operating Expenses
Institutional Shares	27.03%	11.82%	4.80%	8.43%	0.67%
Service Shares	26.68%	11.53%	4.54%	8.15%	0.92%
MSCI World Index	22.40%	11.64%	5.03%	7.18%	
MSCI All Country World Index	23.97%	10.80%	4.65%	N/A**	
Morningstar Quartile - Institutional Shares	1st	2nd	3rd	2nd	
Morningstar Ranking - based on total returns for World Large Stock Funds	255/902	212/701	257/488	73/166	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 800.668.0434 or visit janushenderson.com/VITperformance.

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

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

High absolute short-term performance is not typical and may not be achieved in the future. Such results should not be the sole basis for evaluating material facts in making an investment decision.

Returns shown do not represent actual returns since they do not include insurance charges. Returns shown would have been lower had they included insurance charges.

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

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

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

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

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See important disclosures on the next page.

Janus Henderson VIT Global Research Portfolio (unaudited)
Performance

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

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

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

See "Useful Information About Your Portfolio Report."

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

**Since inception return is not shown for the index because the index's inception date differs significantly from the Portfolio's inception date.

Janus Henderson VIT Global Research Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. The example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

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

Hypothetical Example for Comparison Purposes
The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

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

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Net Annualized Expense Ratio (7/1/17 - 12/31/17)
Institutional Shares	$1,000.00	$1,100.90	$3.50	$1,000.00	$1,021.88	$3.36	0.66%
Service Shares	$1,000.00	$1,099.50	$4.82	$1,000.00	$1,020.62	$4.63	0.91%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 184/365 (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
December 31, 2017

	Shares	Value
Common Stocks – 99.2%		
Aerospace & Defense – 2.8%		
General Dynamics Corp	39,881	$8,113,789
Safran SA	125,955	12,950,292
		21,064,081
Airlines – 1.9%		
Ryanair Holdings PLC (ADR)*	69,340	7,224,535
United Continental Holdings Inc*	105,896	7,137,390
		14,361,925
Automobiles – 1.1%		
Isuzu Motors Ltd	499,800	8,359,234
Banks – 9.8%		
BNP Paribas SA	120,123	8,956,942
China Construction Bank Corp	6,469,000	5,950,534
HDFC Bank Ltd	286,285	8,478,539
ING Groep NV	410,371	7,550,231
JPMorgan Chase & Co	136,176	14,562,661
Mitsubishi UFJ Financial Group Inc	1,115,700	8,187,425
UniCredit SpA*	399,086	7,433,779
Wells Fargo & Co	202,483	12,284,644
		73,404,755
Beverages – 2.8%		
Coca-Cola Co	277,347	12,724,680
Pernod Ricard SA	52,274	8,273,474
		20,998,154
Biotechnology – 3.0%		
Biogen Inc*	25,684	8,182,152
Celgene Corp*	57,641	6,015,415
Shire PLC	159,494	8,271,107
		22,468,674
Building Products – 0.6%		
Geberit AG	10,484	4,614,273
Capital Markets – 3.8%		
Blackstone Group LP	179,905	5,760,558
Intercontinental Exchange Inc	97,870	6,905,707
London Stock Exchange Group PLC	81,158	4,154,627
TD Ameritrade Holding Corp	145,718	7,450,561
UBS Group AG*	233,520	4,291,846
		28,563,299
Chemicals – 1.2%		
Air Products & Chemicals Inc	55,499	9,106,276
Construction Materials – 0.8%		
Vulcan Materials Co	49,089	6,301,555
Consumer Finance – 1.2%		
Synchrony Financial	234,748	9,063,620
Containers & Packaging – 0.8%		
Sealed Air Corp	123,080	6,067,844
Electric Utilities – 0.7%		
Brookfield Infrastructure Partners LP	115,425	5,172,194
Electrical Equipment – 1.9%		
AMETEK Inc	97,577	7,071,405
Sensata Technologies Holding NV*	143,646	7,341,747
		14,413,152
Electronic Equipment, Instruments & Components – 2.3%		
Amphenol Corp	57,968	5,089,590
Flex Ltd*	320,665	5,768,763
Keyence Corp	11,400	6,366,216
		17,224,569
Energy Equipment & Services – 0.8%		
Halliburton Co	119,368	5,833,514

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

Janus Henderson VIT Global Research Portfolio
Schedule of Investments
December 31, 2017

	Shares	Value
Common Stocks – (continued)		
Equity Real Estate Investment Trusts (REITs) – 1.7%		
American Tower Corp	51,736	$7,381,175
Invitation Homes Inc	227,220	5,355,575
		12,736,750
Food & Staples Retailing – 0.6%		
Costco Wholesale Corp	25,482	4,742,710
Food Products – 0.9%		
Hershey Co	60,156	6,828,308
Health Care Equipment & Supplies – 0.8%		
Boston Scientific Corp*	239,583	5,939,263
Health Care Providers & Services – 2.1%		
Aetna Inc	53,054	9,570,411
Universal Health Services Inc	55,240	6,261,454
		15,831,865
Hotels, Restaurants & Leisure – 2.5%		
McDonald's Corp	41,048	7,065,182
Merlin Entertainments PLC	677,602	3,311,760
Norwegian Cruise Line Holdings Ltd*	41,218	2,194,859
Starbucks Corp	106,397	6,110,380
		18,682,181
Household Durables – 1.5%		
Sony Corp	97,300	4,371,202
Techtronic Industries Co Ltd	1,063,000	6,928,677
		11,299,879
Independent Power and Renewable Electricity Producers – 1.1%		
NRG Energy Inc	289,860	8,255,213
Industrial Conglomerates – 1.3%		
Siemens AG	69,071	9,582,361
Information Technology Services – 3.6%		
Amdocs Ltd	97,507	6,384,758
Mastercard Inc	67,149	10,163,673
Visa Inc	90,847	10,358,375
		26,906,806
Insurance – 3.4%		
AIA Group Ltd	1,308,400	11,158,809
Progressive Corp	155,312	8,747,172
Prudential PLC	211,553	5,438,021
		25,344,002
Internet & Direct Marketing Retail – 2.7%		
Amazon.com Inc*	10,453	12,224,470
Ctrip.com International Ltd (ADR)*	65,004	2,866,676
Priceline Group Inc*	2,921	5,075,939
		20,167,085
Internet Software & Services – 4.4%		
Alibaba Group Holding Ltd (ADR)*	44,711	7,709,518
Alphabet Inc - Class C*	19,279	20,173,545
MercadoLibre Inc	16,796	5,285,029
		33,168,092
Life Sciences Tools & Services – 0.9%		
Thermo Fisher Scientific Inc	35,120	6,668,586
Machinery – 2.1%		
Illinois Tool Works Inc	51,489	8,590,940
SMC Corp/Japan	18,000	7,413,121
		16,004,061
Media – 1.4%		
Grupo Televisa SAB (ADR)	123,861	2,312,485
Walt Disney Co	74,160	7,972,942
		10,285,427

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

Janus Henderson VIT Global Research Portfolio
Schedule of Investments
December 31, 2017

	Shares	Value
Common Stocks – (continued)		
Metals & Mining – 1.1%		
Rio Tinto PLC	149,982	$7,914,105
Multi-Utilities – 0.7%		
National Grid PLC	425,467	4,997,001
Oil, Gas & Consumable Fuels – 6.1%		
Anadarko Petroleum Corp	112,370	6,027,527
Antero Resources Corp*	205,207	3,898,933
Canadian Natural Resources Ltd	185,431	6,627,594
Enterprise Products Partners LP	342,991	9,092,691
Suncor Energy Inc	244,643	8,983,350
TOTAL SA	198,516	10,951,839
		45,581,934
Personal Products – 2.9%		
Estee Lauder Cos Inc	89,040	11,329,450
Unilever NV	183,638	10,316,315
		21,645,765
Pharmaceuticals – 5.3%		
Allergan PLC	27,868	4,558,647
AstraZeneca PLC	125,122	8,584,602
Eli Lilly & Co	117,764	9,946,347
Jazz Pharmaceuticals PLC*	33,215	4,472,400
Merck & Co Inc	81,932	4,610,314
Sanofi	87,774	7,556,730
		39,729,040
Road & Rail – 1.2%		
CSX Corp	170,485	9,378,380
Semiconductor & Semiconductor Equipment – 4.0%		
ASML Holding NV	47,169	8,182,252
Broadcom Ltd	25,537	6,560,455
Intel Corp	151,914	7,012,350
Taiwan Semiconductor Manufacturing Co Ltd	1,111,000	8,539,435
		30,294,492
Software – 5.2%		
Activision Blizzard Inc	118,769	7,520,453
Adobe Systems Inc*	48,308	8,465,494
Constellation Software Inc/Canada	5,984	3,628,205
salesforce.com Inc*	80,687	8,248,632
SS&C Technologies Holdings Inc	119,557	4,839,667
Ultimate Software Group Inc*	29,086	6,347,438
		39,049,889
Specialty Retail – 0.8%		
Home Depot Inc	30,042	5,693,860
Technology Hardware, Storage & Peripherals – 1.0%		
Samsung Electronics Co Ltd	3,201	7,606,080
Textiles, Apparel & Luxury Goods – 1.3%		
Cie Financiere Richemont SA	51,612	4,674,300
NIKE Inc	86,680	5,421,834
		10,096,134
Tobacco – 1.5%		
British American Tobacco PLC	166,233	11,216,993
Trading Companies & Distributors – 0.9%		
Ferguson PLC	98,644	7,056,892
Wireless Telecommunication Services – 0.7%		
T-Mobile US Inc*	82,309	5,227,445
Total Common Stocks (cost $562,432,533)		744,947,718

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

Janus Henderson VIT Global Research Portfolio
Schedule of Investments
December 31, 2017

	Shares	Value
Investment Companies – 0.7%		
Money Markets – 0.7%		
Janus Cash Liquidity Fund LLC, 1.2731%[∞,£] (cost $5,533,376)	5,533,376	$5,533,376
Total Investments (total cost $567,965,909) – 99.9%		750,481,094
Cash, Receivables and Other Assets, net of Liabilities – 0.1%		430,949
Net Assets – 100%		$750,912,043

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

Country	Value	% of Investment Securities
United States	$451,032,494	60.1 %
United Kingdom	60,945,108	8.1
France	48,689,277	6.5
Japan	34,697,198	4.6
Netherlands	26,048,798	3.5
Canada	24,411,343	3.3
Hong Kong	18,087,486	2.4
China	16,526,728	2.2
Switzerland	13,580,419	1.8
Germany	9,582,361	1.3
Taiwan	8,539,435	1.1
India	8,478,539	1.1
South Korea	7,606,080	1.0
Italy	7,433,779	1.0
Ireland	7,224,535	1.0
Brazil	5,285,029	0.7
Mexico	2,312,485	0.3
Total	$750,481,094	100.0 %

Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income[(1)]	Realized Gain/(Loss)[(1)]	Change in Unrealized Appreciation/ Depreciation[(1)]	Value at 12/31/17
Investment Companies – 0.7%				
Investments Purchased with Cash Collateral from Securities Lending – 0%				
Janus Cash Collateral Fund LLC, 1.2573%[∞]	$ 23,116[Δ]	$ —	$ —	$ —
Money Markets – 0.7%				
Janus Cash Liquidity Fund LLC, 1.2731%[∞]	27,136	—	—	5,533,376
Total Affiliated Investments – 0.7%	$ 50,252	$ —	$ —	$ 5,533,376

(1) For securities that were affiliated for a portion of the year ended December 31, 2017, this column reflects amounts for the entire year ended December 31, 2017 and not just the period in which the security was affiliated.

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

Janus Henderson VIT Global Research Portfolio
Schedule of Investments
December 31, 2017

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 12/31/17*
Investment Companies – 0.7%				
Investments Purchased with Cash Collateral from Securities Lending – 0%				
Janus Cash Collateral Fund LLC, 1.2573%∞	—	45,352,122	(45,352,122)	—
Money Markets – 0.7%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	1,837,116	93,233,240	(89,536,980)	5,533,376

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

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

ADR	American Depositary Receipt
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company

*	Non-income producing security.
°°	Rate shown is the 7-day yield as of December 31, 2017.
£	The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.
Δ	Net of income paid to the securities lending agent and rebates paid to the borrowing counterparties.

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

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 December 31, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
Assets			
Investments in Securities:			
Common Stocks			
Aerospace & Defense	$ 8,113,789	$ 12,950,292	$ -
Automobiles	-	8,359,234	-
Banks	26,847,305	46,557,450	-
Beverages	12,724,680	8,273,474	-
Biotechnology	14,197,567	8,271,107	-
Building Products	-	4,614,273	-
Capital Markets	20,116,826	8,446,473	-
Electronic Equipment, Instruments & Components	10,858,353	6,366,216	-
Hotels, Restaurants & Leisure	15,370,421	3,311,760	-
Household Durables	-	11,299,879	-
Industrial Conglomerates	-	9,582,361	-
Insurance	8,747,172	16,596,830	-
Machinery	8,590,940	7,413,121	-
Metals & Mining	-	7,914,105	-
Multi-Utilities	-	4,997,001	-
Oil, Gas & Consumable Fuels	19,019,151	26,562,783	-
Personal Products	11,329,450	10,316,315	-
Pharmaceuticals	23,587,708	16,141,332	-
Semiconductor & Semiconductor Equipment	13,572,805	16,721,687	-
Software	35,421,684	3,628,205	-
Technology Hardware, Storage & Peripherals	-	7,606,080	-
Textiles, Apparel & Luxury Goods	5,421,834	4,674,300	-
Tobacco	-	11,216,993	-
Trading Companies & Distributors	-	7,056,892	-
All Other	242,149,870	-	-
Investment Companies	-	5,533,376	-
Total Assets	$ 476,069,555	$ 274,411,539	$ -

Janus Henderson VIT Global Research Portfolio
Statement of Assets and Liabilities
December 31, 2017

Assets:		
Unaffiliated investments, at value[1]	$	744,947,718
Affiliated investments, at value[2]		5,533,376
Cash		32,427
Non-interested Trustees' deferred compensation		14,346
Receivables:		
Dividends		631,508
Portfolio shares sold		420,504
Foreign tax reclaims		185,847
Dividends from affiliates		4,780
Other assets		9,448
Total Assets		751,779,954
Liabilities:		
Payables:		
Advisory fees		340,671
Portfolio shares repurchased		280,976
Printing fees		47,371
12b-1 Distribution and shareholder servicing fees		45,889
Investments purchased		39,815
Transfer agent fees and expenses		35,133
Professional fees		30,690
Non-interested Trustees' deferred compensation fees		14,346
Custodian fees		7,290
Non-interested Trustees' fees and expenses		5,279
Portfolio administration fees		5,110
Accrued expenses and other payables		15,341
Total Liabilities		867,911
Net Assets	$	750,912,043
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	564,743,228
Undistributed net investment income/(loss)		2,090,081
Undistributed net realized gain/(loss) from investments and foreign currency transactions		1,558,053
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		182,520,681
Total Net Assets	$	750,912,043
Net Assets - Institutional Shares	$	540,594,447
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		10,558,612
Net Asset Value Per Share	$	51.20
Net Assets - Service Shares	$	210,317,596
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		4,191,927
Net Asset Value Per Share	$	50.17

(1) Includes cost of $562,432,533.
(2) Includes cost of $5,533,376.

See Notes to Financial Statements.

Janus Henderson VIT Global Research Portfolio
Statement of Operations
For the year ended December 31, 2017

Investment Income:		
Dividends	$	12,547,647
Dividends from affiliates		27,136
Affiliated securities lending income, net		23,116
Other income		71
Foreign tax withheld		(570,830)
Total Investment Income		12,027,140
Expenses:		
Advisory fees		3,814,546
12b-1Distribution and shareholder servicing fees:		
Service Shares		492,693
Transfer agent administrative fees and expenses:		
Institutional Shares		255,597
Service Shares		98,539
Other transfer agent fees and expenses:		
Institutional Shares		18,296
Service Shares		4,217
Shareholder reports expense		101,766
Portfolio administration fees		60,569
Professional fees		59,020
Custodian fees		44,281
Registration fees		24,439
Non-interested Trustees' fees and expenses		18,528
Other expenses		47,196
Total Expenses		5,039,687
Net Investment Income/(Loss)		6,987,453
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		52,208,742
Total Net Realized Gain/(Loss) on Investments		52,208,742
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		108,153,941
Total Change in Unrealized Net Appreciation/Depreciation		108,153,941
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	167,350,136

See Notes to Financial Statements.

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

		Year ended December 31, 2017		*Year ended December 31, 2016*
Operations:				
Net investment income/(loss)	$	6,987,453	$	7,196,717
Net realized gain/(loss) on investments		52,208,742		(8,835,260)
Change in unrealized net appreciation/depreciation		108,153,941		13,297,687
Net Increase/(Decrease) in Net Assets Resulting from Operations		167,350,136		11,659,144
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(4,183,201)		(5,169,230)
Service Shares		(1,355,413)		(1,761,489)
Net Decrease from Dividends and Distributions to Shareholders		(5,538,614)		(6,930,719)
Capital Share Transactions:				
Institutional Shares		(45,745,135)		(43,882,862)
Service Shares		(13,600,457)		(24,789,291)
Net Increase/(Decrease) from Capital Share Transactions		(59,345,592)		(68,672,153)
Net Increase/(Decrease) in Net Assets		102,465,930		(63,943,728)
Net Assets:				
Beginning of period		648,446,113		712,389,841
End of period	$	750,912,043	$	648,446,113
Undistributed Net Investment Income/(Loss)	$	2,090,081	$	1,849,588

See Notes to Financial Statements.

Janus Henderson VIT Global Research Portfolio
Financial Highlights

Institutional Shares

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

Service Shares

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

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

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

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

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Henderson VIT Global Research Portfolio (formerly named Janus Aspen Global Research Portfolio) (the "Portfolio") is a series of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers 12 portfolios, each of which offers multiple share classes, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio is classified as diversified, as defined in the 1940 Act.

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

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

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

Investment Valuation

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

Valuation Inputs Summary

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

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

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

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

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

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

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

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of December 31, 2017 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

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

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

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

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

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

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

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

2. Other Investments and Strategies

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

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

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, 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

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

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

The cash collateral invested by Janus Capital is disclosed in the Schedule of Investments (if applicable). Income earned from the investment of the cash collateral, net of rebates paid to, or fees paid by, borrowers and less the fees paid to the lending agent are included as "Affiliated securities lending income, net" on the Statement of Operations. There were no securities on loan as of December 31, 2017.

3. Investment Advisory Agreements and Other Transactions with Affiliates

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

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

The calculation of the performance adjustment applies as follows:

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

The investment advisory fee rate paid to Janus Capital by the Portfolio consists of two components: (1) a base fee calculated by applying the contractual fixed rate of the advisory fee to the Portfolio's average daily net assets during the previous month ("Base Fee Rate"), plus or minus (2) a performance-fee adjustment ("Performance Adjustment") calculated by applying a variable rate of up to 0.15% (positive or negative) to the Portfolio's average daily net assets based on the Portfolio's relative performance compared to the cumulative investment record of its benchmark index over a 36-month performance measurement period or shorter time period, as applicable.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the year ended December 31, 2017, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.54%.

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 furnishes certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio and providing personnel to serve as officers to the Portfolio. The Portfolio reimburses Janus Capital for certain of its costs in providing these services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These costs include some or all of the salaries, fees, and expenses of Janus Capital employees and Portfolio officers, including the Portfolio's Chief Compliance Officer and compliance staff, who provide specified administration and compliance services to the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Total compensation of $17,105 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the year ended December 31, 2017. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of December 31, 2017 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the year ended December 31, 2017 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $416,450 were paid by the Trust to the Trustees under the Deferred Plan during the year ended December 31, 2017.

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

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the year ended December 31, 2017 can be found in a table 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 year ended December 31, 2017, the Portfolio engaged in cross trades amounting to $425,654 in purchases and $3,623,977 in sales, resulting in a net realized loss of $1,266,689. The net realized loss is included within the "Net Realized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

4. Federal Income Tax

The tax components of capital shown in the table below represent: (1) distribution requirements the Portfolio must satisfy under the income tax regulations; (2) losses or deductions the Portfolio may be able to offset against income and gains realized in future years; and (3) unrealized appreciation or depreciation of investments for federal income tax purposes.

Other book to tax differences primarily consist of deferred compensation and foreign currency contract adjustments. 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.

			Loss Deferrals			
Undistributed Ordinary Income	*Undistributed Long-Term Gains*	*Accumulated Capital Losses*	*Late-Year Ordinary Loss*	*Post-October Capital Loss*	*Other Book to Tax Differences*	*Net Tax Appreciation/ (Depreciation)*
$ 2,104,368	$ -	$ -	$ -	$ -	$ (8,792)	$184,073,239

During the year ended December 31, 2017, capital loss carryovers of $52,107,874 were utilized by the Portfolio.

As of December 31, 2017, capital loss carryovers of $84,014,737 expired unused. As a result, the amount has been reclassified to capital.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of December 31, 2017 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ 566,407,855	$192,328,609	$ (8,255,370)	$ 184,073,239

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. Certain permanent differences such as tax returns of capital and net investment losses noted below have been reclassified to capital.

For the year ended December 31, 2017

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 5,538,614	$ -	$ -	$ -

For the year ended December 31, 2016

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 6,930,719	$ -	$ -	$ -

Permanent book to tax basis differences may result in reclassifications between the components of net assets. These differences have no impact on the results of operations or net assets. The following reclassifications have been made to the Portfolio:

Increase/(Decrease) to Capital	*Increase/(Decrease) to Undistributed Net Investment Income/Loss*	*Increase/(Decrease) to Undistributed Net Realized Gain/Loss*
$ (84,014,737)	$ (1,208,346)	$ 85,223,083

5. Capital Share Transactions

	Year ended December 31, 2017		*Year ended December 31, 2016*	
	Shares	*Amount*	*Shares*	*Amount*
Institutional Shares:				
Shares sold	343,247	$ 16,011,323	330,908	$ 13,244,254
Reinvested dividends and distributions	86,959	4,183,201	129,490	5,169,230
Shares repurchased	(1,421,581)	(65,939,659)	(1,571,385)	(62,296,346)
Net Increase/(Decrease)	(991,375)	$(45,745,135)	(1,110,987)	$(43,882,862)
Service Shares:				
Shares sold	320,167	$ 14,570,741	311,672	$ 12,027,682
Reinvested dividends and distributions	28,763	1,355,413	44,979	1,761,489
Shares repurchased	(650,117)	(29,526,611)	(996,725)	(38,578,462)
Net Increase/(Decrease)	(301,187)	$(13,600,457)	(640,074)	$(24,789,291)

6. Purchases and Sales of Investment Securities

For the year ended December 31, 2017, 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*
$288,330,392	$ 343,126,999	$ -	$ -

7. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X was August 1, 2017. This report incorporates the amendments to Regulation S-X.

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

8. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. (“JCGI”), the direct parent of Janus Capital, and Henderson Group plc (“Henderson”) announced that they had entered into an Agreement and Plan of Merger (“Merger Agreement”) relating to the strategic combination of Henderson and JCGI (the “Merger”). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson merged with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson. The Merger was effective May 30, 2017.

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

On December 8, 2016, the Trustees approved, subject to shareholder approval, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the Portfolio following the closing of the Merger (the "Post-Merger Advisory Agreement"). At the same meeting, the Trustees approved submitting the Post-Merger Advisory Agreement, among other proposals, to Portfolio shareholders for approval.

Special Meeting(s) of Shareholders were held on April 6, 2017, and adjourned and reconvened on April 18, 2017.

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

9. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to December 31, 2017 and through the date of issuance of the Portfolio's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio's financial statements.

Janus Henderson VIT Global Research Portfolio
Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Janus Aspen Series and Shareholders of Janus Henderson VIT Global Research Portfolio:

Opinion on the Financial Statements
We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Janus Henderson VIT Global Research Portfolio (one of the portfolios constituting Janus Aspen Series, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statements of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado
February 16, 2018

We have served as the auditor of one or more investment companies in Janus Henderson Funds since 1990.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at janushenderson.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janushenderson.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Full Holdings

The Portfolio is required to disclose its complete holdings in the quarterly holdings report on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free) . Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 14 Funds that utilize subadvisers.

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

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which closed in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2018 through February 1, 2019, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the

agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

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

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

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

Asset Allocation Funds

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

quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

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

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

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

Money Market Funds

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

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

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

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

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

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

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

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of

that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

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

Alternative Funds

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

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

- For Janus Henderson Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson European Focus Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Value Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson All Asset Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Research Fund, the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were limited in accuracy by differences in complex size, business mix, institutional account orientation and other factors, after accepting these limitations, the level of profit earned by Janus Capital's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing certain of these Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

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

January 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the

investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

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

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

At a meeting held on January 26, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2017 through February 1, 2018, subject to earlier termination as provided for in each agreement.

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

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided

its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% of the Funds were in the top two Broadridge quartiles of performance.

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

Fixed-Income Funds and Money Market Funds

- For Janus Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the

bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

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

Alternative Fund

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

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.

- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

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

- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen Intech U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

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

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

Fixed-Income Funds and Money Market Funds

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

classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's

expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

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

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to

limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

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

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the

Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

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

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a

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

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 December 31, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson in general.

Performance Overviews

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

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

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

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

Schedule of Investments

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

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

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

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

Statement of Assets and Liabilities

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

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

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

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

Statement of Operations

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

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

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

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

Statements of Changes in Net Assets

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

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

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

Financial Highlights

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

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

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

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

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

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

Janus Henderson VIT Global Research Portfolio
Shareholder Meeting (unaudited)

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

Proposals

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

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

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

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

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.946	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					*Percentage Voted (%)*				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.342	90.950	9.050	0.000	0.000	100.000

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

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

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

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

Janus Henderson VIT Global Research Portfolio
Designation Requirements (unaudited)

For federal income tax purposes, the Portfolio designated the following for the year ended December 31, 2017:

Dividends Received Deduction Percentage	78%

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

The Portfolio's Statement of Additional Information includes additional information about the Trustees and officers and is available, without charge, by calling 1-877-335-2687.

The following are the Trustees and officers of the Trust, together with a brief description of their principal occupations during the last five years (principal occupations for certain Trustees may include periods over five years).

Each Trustee has served in that capacity since he or she was originally elected or appointed. The Trustees do not serve a specified term of office. Each Trustee will hold office until the termination of the Trust or his or her earlier death, resignation, retirement, incapacity, or removal. Under the Portfolio's Governance Procedures and Guidelines, the policy is for Trustees to retire no later than the end of the calendar year in which the Trustee turns 75. The Trustees review the Portfolio's Governance Procedures and Guidelines from time to time and may make changes they deem appropriate. The Portfolio's Nominating and Governance Committee will consider nominees for the position of Trustee recommended by shareholders. Shareholders may submit the name of a candidate for consideration by the Committee by submitting their recommendations to the Trust's Secretary. Each Trustee is currently a Trustee of one other registered investment company advised by Janus Capital: Janus Investment Fund. Collectively, these two registered investment companies consist of 58 series or funds.

The Trust's officers are elected annually by the Trustees for a one-year term. Certain officers also serve as officers of Janus Investment Fund. Certain officers of the Portfolio may also be officers and/or directors of Janus Capital. Except as otherwise disclosed, Portfolio officers receive no compensation from the Portfolio, except for the Portfolio's Chief Compliance Officer, as authorized by the Trustees.

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William F. McCalpin 151 Detroit Street Denver, CO 80206 DOB: 1957	Chairman Trustee	1/08-Present 6/02-Present	Managing Partner, Impact Investments, Athena Capital Advisors LLC (independent registered investment advisor) (since 2016) and Managing Director, Holos Consulting LLC (provides consulting services to foundations and other nonprofit organizations). Formerly, Chief Executive Officer, Imprint Capital (impact investment firm) (2013-2015) and Executive Vice President and Chief Operating Officer of The Rockefeller Brothers Fund (a private family foundation) (1998-2006).	63	Director of Mutual Fund Directors Forum (a non-profit organization serving independent directors of U.S. mutual funds), Chairman of the Board and Trustee of The Investment Fund for Foundations Investment Program (TIP) (consisting of 2 funds), and Director of the F.B. Heron Foundation (a private grantmaking foundation).

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Alan A. Brown 151 Detroit Street Denver, CO 80206 DOB: 1962	Trustee	1/13-Present	Executive Vice President, Institutional Markets, of Black Creek Group (private equity real estate investment management firm) (since 2012). Formerly, Executive Vice President and Co-Head, Global Private Client Group (2007-2010), Executive Vice President, Mutual Funds (2005-2007), and Chief Marketing Officer (2001-2005) of Nuveen Investments, Inc. (asset management).	63	Director of WTTW (PBS affiliate) (since 2003). Formerly, Director of MotiveQuest LLC (strategic social market research company) (2003-2016); Director of Nuveen Global Investors LLC (2007-2011); Director of Communities in Schools (2004-2010); and Director of Mutual Fund Education Alliance (until 2010).

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William D. Cvengros 151 Detroit Street Denver, CO 80206 DOB: 1948	Trustee	1/11-Present	Managing Member and Chief Executive Officer of SJC Capital, LLC (a personal investment company and consulting firm) (since 2002). Formerly, Venture Partner for The Edgewater Funds (a middle market private equity firm) (2002-2004); Chief Executive Officer and President of PIMCO Advisors Holdings L.P. (a publicly traded investment management firm) (1994-2000); and Chief Investment Officer of Pacific Life Insurance Company (a mutual life insurance and annuity company) (1987-1994).	63	Advisory Board Member, Innovate Partners Emerging Growth and Equity Fund I (early stage venture capital fund) (since 2014) and Managing Trustee of National Retirement Partners Liquidating Trust (since 2013). Formerly, Chairman, National Retirement Partners, Inc. (formerly a network of advisors to 401(k) plans) (2005-2013); Director of Prospect Acquisition Corp. (a special purpose acquisition corporation) (2007-2009); Director of RemedyTemp, Inc. (temporary help services company) (1996-2006); and Trustee of PIMCO Funds Multi-Manager Series (1990-2000) and Pacific Life Variable Life & Annuity Trusts (1987-1994).

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Raudline Etienne 151 Detroit Street Denver, CO 80206 DOB: 1965	Trustee	6/16-Present	Founder, Daraja Capital (advisory and investment firm) (since 2016), and Senior Advisor, Albright Stonebridge Group LLC (global strategy firm) (since 2016). Formerly, Senior Vice President (2011-2015), Albright Stonebridge Group LLC; and Deputy Comptroller and Chief Investment Officer, New York State Common Retirement Fund (public pension fund) (2008-2011).	63	Director of Brightwood Capital Advisors, LLC (since 2014).

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Gary A. Poliner 151 Detroit Street Denver, CO 80206 DOB: 1953	Trustee	6/16-Present	Retired. Formerly, President (2010-2013) of Northwestern Mutual Life Insurance Company.	63	Director of MGIC Investment Corporation (private mortgage insurance) (since 2013) and West Bend Mutual Insurance Company (property/casualty insurance) (since 2013). Formerly, Trustee of Northwestern Mutual Life Insurance Company (2010-2013); Chairman and Director of Northwestern Mutual Series Fund, Inc. (2010-2012); and Director of Frank Russell Company (global asset management firm) (2008-2013).

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
James T. Rothe 151 Detroit Street Denver, CO 80206 DOB: 1943	Trustee	1/97-Present	Co-founder and Managing Director of Roaring Fork Capital SBIC, L.P. (SBA SBIC fund focusing on private investment in public equity firms), and Professor Emeritus of Business of the University of Colorado, Colorado Springs, CO (since 2004). Formerly, Professor of Business of the University of Colorado (2002-2004), and Distinguished Visiting Professor of Business (2001-2002) of Thunderbird (American Graduate School of International Management), Glendale, AZ.	63	Formerly, Director of Red Robin Gourmet Burgers, Inc. (RRGB) (2004-2014).
William D. Stewart 151 Detroit Street Denver, CO 80206 DOB: 1944	Trustee	9/93-Present	Retired. Formerly, President and founder of HPS Products and Corporate Vice President of MKS Instruments, Boulder, CO (a provider of advanced process control systems for the semiconductor industry) (1976-2012).	63	None

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Diane L. Wallace 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	6/17-Present	Retired.		Formerly, Independent Trustee, Henderson Global Funds (13 portfolios) (2015-2017); Independent Trustee, State Farm Associates' Funds Trust, State Farm Mutual Fund Trust, and State Farm Variable Product Trust (28 portfolios) 2013-2017; Chief Operating Officer, Senior Vice President-Operations, and Chief Financial Officer for Driehaus Capital Management, LLC; and Treasurer for Driehau Mutual Funds.

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Linda S. Wolf 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	12/05-Present	Retired. Formerly, Chairman and Chief Executive Officer of Leo Burnett (Worldwide) (advertising agency) (2001-2005).	63	Director of Chicago Community Trust (Regional Community Foundation), Chicago Council on Global Affairs, InnerWorkings (U.S. provider of print procurement solutions to corporate clients), Lurie Children's Hospital (Chicago, IL), Shirley Ryan Ability Lab and Wrapports, LLC (digital communications company). Formerly, Director of Walmart (until 2017), Director of Chicago Convention & Tourism Bureau (until 2014) and The Field Museum of Natural History (Chicago, IL) (until 2014).

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Carmel Wellso 151 Detroit Street Denver, CO 80206 DOB: 1964	Executive Vice President Janus Henderson Global Research Portfolio	12/14-Present	Vice President and Director of Research of Janus Capital and Portfolio Manager for other Janus Henderson accounts. Formerly, Research Analyst for Janus Capital (2008-2014).
Bruce L. Koepfgen 151 Detroit Street Denver, CO 80206 DOB: 1952	President and Chief Executive Officer	7/14-Present	Head of North America at Janus Henderson Investors and Janus Capital Management LLC (since 2017); Executive Vice President and Director of Janus International Holding LLC (since 2011); Executive Vice President of Janus Distributors LLC (since 2011); Vice President and Director of Intech Investment Management LLC (since 2011); Executive Vice President and Director of Perkins Investment Management LLC (since 2011); and Executive Vice President and Director of Janus Management Holdings Corporation (since 2011). Formerly, President of Janus Capital Group Inc. and Janus Capital Management LLC (2013-2017); Executive Vice President of Janus Services LLC (2011-2015), Janus Capital Group Inc. and Janus Capital Management LLC (2011-2013); and Chief Financial Officer of Janus Capital Group Inc., Janus Capital Management LLC, Janus Distributors LLC, Janus Management Holdings Corporation, and Janus Services LLC (2011-2013).

Janus Henderson VIT Global Research Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Susan K. Wold 151 Detroit Street Denver, CO 80206 DOB: 1960	Vice President, Chief Compliance Officer, and Anti-Money Laundering Officer	9/17-Present	Senior Vice President and Head of Compliance, North America for Janus Henderson (since September 2017); Formerly, Vice President, Head of Global Corporate Compliance, and Chief Compliance Officer for Janus Capital Management LLC (May 2017-September 2017); Vice President, Compliance at Janus Capital Group Inc. and Janus Capital Management LLC (2005-2017).
Jesper Nergaard 151 Detroit Street Denver, CO 80206 DOB: 1962	Chief Financial Officer Vice President, Treasurer, and Principal Accounting Officer	3/05-Present 2/05-Present	Vice President of Janus Capital and Janus Services LLC.
Kathryn L. Santoro 151 Detroit Street Denver, CO 80206 DOB: 1974	Vice President, Chief Legal Counsel, and Secretary	12/16-Present	Vice President of Janus Capital and Janus Services LLC (since 2016). Formerly, Vice President and Associate Counsel of Curian Capital, LLC and Curian Clearing LLC (2013-2016); and General Counsel and Secretary (2011-2012) and Vice President (2009-2012) of Old Mutual Capital, Inc.

* Officers are elected at least annually by the Trustees for a one-year term and may also be elected from time to time by the Trustees for an interim period.

Knowledge. Shared

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

Learn more by visiting janushenderson.com.

Janus Henderson
INVESTORS

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

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ANNUAL REPORT
December 31, 2017

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

Janus Aspen Series

HIGHLIGHTS

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

Janus Henderson
INVESTORS

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Janus Henderson VIT Research Portfolio (unaudited)

PORTFOLIO SNAPSHOT

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

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

PERFORMANCE OVERVIEW

For the 12-month period ended December 31, 2017, Janus Henderson VIT Research Portfolio's Institutional Shares and Service Shares returned 27.88% and 27.55%, respectively. Meanwhile, the Portfolio's primary benchmark, the Russell 1000® Growth Index, returned 30.21% and its secondary benchmark, the S&P 500® Index, returned 21.83%. Another benchmark we use to measure performance, the Core Growth Index, returned 25.97%. 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 rallied over the course of the year, fueled by a combination of strong corporate fundamentals and the expectation that the Trump administration would champion a pro-growth agenda. For their part, corporations delivered, as both revenue and earnings results consistently exceeded consensus expectations. On the policy front, after early missteps and failure to achieve health care reform, Congress passed a significant overhaul to the U.S. tax code, lowering the tax rate for corporations starting in 2018. Job growth and other positive economic data created a favorable backdrop for risk assets. And the Federal Reserve continued its slow-and-steady approach to policy normalization, raising its benchmark rate just three times by 25 basis points each. Across the broader market, technology was a top performer. Only energy and telecommunications failed to deliver positive returns.

PERFORMANCE DISCUSSION

Our Portfolio, which represents the best ideas of our six sector teams, focuses on companies that we believe can generate multiyear growth. Investing in companies with characteristics such as brand power and competitive position, we believe, can drive superior long-term performance. The diversified nature of the Portfolio is also designed to minimize macroeconomic risks. While we seek outperformance over the long term, our Portfolio may lag its primary benchmark over shorter time frames, as it did this period.

Our health care and industrials holdings detracted most from relative results, while our holdings in technology and consumer were the largest contributors to relative performance.

Weighing on performance on an absolute basis was Envision Healthcare. The firm provides physician outsourcing services to hospitals, owns outpatient surgery centers and operates emergency transportation services. The stock came under pressure as a result of lower hospital volumes during Hurricanes Harvey and Irma and reduced demand from health care exchanges. In addition, Envision faced scrutiny after a study found that many of its emergency room services were billed at higher out-of-network rates. The company then reported weak quarterly earnings as a result of falling hospital admissions and lower reimbursement rates. With the macroeconomic backdrop for hospital services challenging and Envision's debt level still high after its merger with Amsurg, we decided to exit the stock.

Also weighing on performance was Bristol-Myers Squibb. Shares of this pharmaceutical giant stumbled after the company announced in January that it would not try to get quick approval from the Food and Drug Administration for its combination immuno-oncology lung cancer treatment. The decision suggested that Bristol-Myers was less optimistic about trial results for the treatment. Shortly thereafter, we exited our position.

Allergan was another detractor. Patent disputes concerning Restasis, the firm's blockbuster medicine for dry eye, weighed on the stock. A federal judge invalidated Allergan's patent, while several generic drug makers also challenged Allergan's patent through inter partes review. Despite the Restasis patent issue, we are constructive on the stock. In our view, the stock price considerably undervalues Allergan's medical aesthetics franchise,

which includes Botox and Juvéderm. We believe the duration of growth for those franchises will exceed current market expectations. Additionally, we think the company gets little credit for its pipeline, though that could change in the near term, with several meaningful data results expected.

While disappointed by these results, we were pleased with the performance of other holdings, including Alphabet, the parent company of Google. The stock rose steadily throughout the period on impressive earnings results, including an acceleration of revenue growth for mobile search and YouTube. We believe Alphabet's core search business is one of the most attractive growth assets in the world, and are increasingly confident that Alphabet's autonomous driving subsidiary can one day become a large company in its own right. Further, we believe the network effects associated with Alphabet's advertising business and Android operating system entrench the company as a leading beneficiary of advertising spending moving from offline channels to mobile and online video channels.

Amazon.com was another steady contributor, with a significant bounce late in the period after the company reported earnings results that beat consensus expectations. We still see significant growth potential for Amazon. The company's tremendous scale and distribution advantage allow it to offer fast delivery of retail goods at attractive prices. These competitive advantages have entrenched the company as the dominant e-commerce platform, and should allow it to continue to gain consumers' wallet share, as more shopping moves from physical stores to online and mobile purchases. Meanwhile, Amazon Web Services (AWS) is revolutionizing the way companies utilize IT services, with AWS' large scale creating a disruptive pricing model for the industry.

Another tech name, Adobe Systems, also aided performance. The stock enjoyed a significant boost after the company held an encouraging analyst day for investors, forecasting longer duration of growth and better margins than the market expected. An increase in guidance on 2018 earnings was also encouraging. We continue to see upside for Adobe, and believe it is one of the best ways to invest in the proliferation of enterprise cloud software.

DERIVATIVES USE

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

OUTLOOK

As we start 2018, we believe equities are fully priced, but not overvalued. We see global markets that can maintain multiples and, thus, move with earnings growth. And with macro concerns less prominent, we also think risk will be at the stock level, helping minimize overall volatility.

That said, investors remain edgy about the stock market's multiyear rally and could get easily spooked. We also are not without worry. Although there is no age limit for a bull market and the recovery from the last downturn has been slower than usual, the normalization of central bank policy or a flattening yield curve could unsettle investors.

However, we also recognize many positive trends. For one, U.S. stocks reflected improving company fundamentals in 2017, and we think that trend will continue in 2018. Global economic growth, high corporate and consumer confidence levels, low inflation, low long-term rates, and, importantly, tax reform for U.S. corporations could lift profits and spur capital expenditures. We also think clarity on tax policy should prompt more acquisitions, a market positive. Meanwhile, Europe's recovery is on track, and China continues to report a stabilizing and growing economy, despite concerns about the country's debt levels.

It may be tempting to be defensive late in the business cycle, but we believe it is important to recognize long-term secular trends. So in addition to favoring economically resilient industries, we think maintaining exposure to growth opportunities in health care and technology is key. These stocks are not immune to a market correction, but we believe the powerful transformations that are occurring in these areas are enduring.

With 2018 equity markets likely driven by company fundamentals, data points in quarterly earnings will become even more important. An edgy bear could be quick to strike, and there will be days when the news raises fears. Stay calm. We believe 2018 is a time for leading companies to distinguish themselves from competitors, and for investors who focus on these firms to do the same.

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

Janus Henderson VIT Research Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Top Performers - Holdings

	Contribution
Alphabet Inc	2.08%
Amazon.com Inc	1.82%
Microsoft Corp	1.75%
Adobe Systems Inc	1.43%
Apple Inc	1.38%

5 Bottom Performers - Holdings

	Contribution
Envision Healthcare Corp	-0.40%
Bristol-Myers Squibb Co	-0.32%
Celgene Corp	-0.18%
Allergan PLC	-0.17%
Puma Biotechnology Inc	-0.16%

5 Top Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Consumer Staples	1.00%	6.78%	7.98%
Information Technology	0.88%	37.63%	35.35%
Real Estate	0.47%	2.47%	2.64%
Telecom Services	0.18%	0.62%	1.00%
Consumer Discretionary	0.07%	18.44%	19.34%

5 Bottom Performers - Sectors*

	Portfolio Contribution	Portfolio Weighting (Average % of Equity)	Russell 1000 Growth Index Weighting
Health Care	-2.21%	14.46%	14.65%
Industrials	-1.23%	11.07%	11.56%
Other**	-0.37%	1.12%	0.00%
Materials	-0.24%	3.82%	3.67%
Energy	-0.21%	0.72%	0.68%

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.

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

** Not a covered sector.

Janus Henderson VIT Research Portfolio (unaudited)
Portfolio At A Glance
December 31, 2017

5 Largest Equity Holdings - (% of Net Assets)

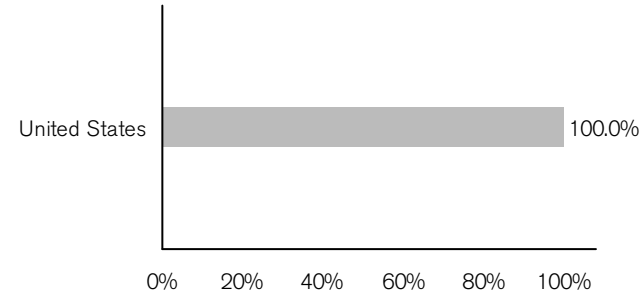
Alphabet Inc	
Internet Software & Services	5.7%
Apple Inc	
Technology Hardware, Storage & Peripherals	5.3%
Amazon.com Inc	
Internet & Direct Marketing Retail	4.0%
Microsoft Corp	
Software	3.4%
Facebook Inc	
Internet Software & Services	2.8%
	21.2%

Asset Allocation - (% of Net Assets)

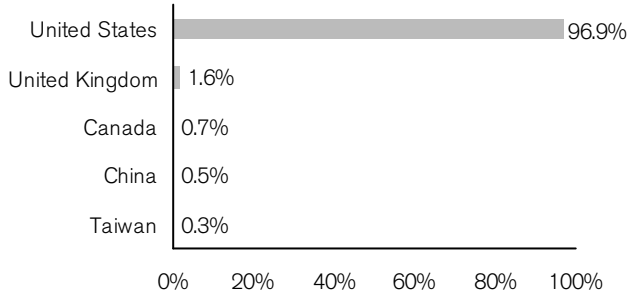
Common Stocks	98.9%
Investment Companies	1.2%
Other	(0.1)%
	100.0%

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

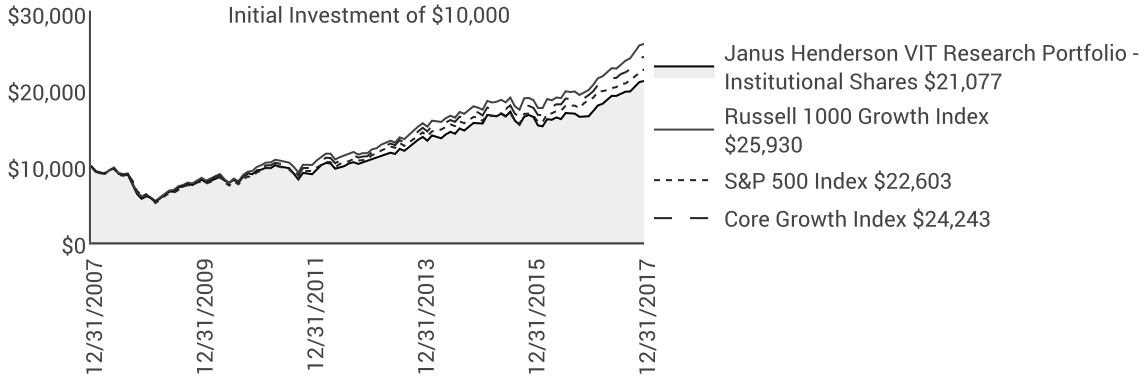
As of December 31, 2017



As of December 31, 2016



Janus Henderson VIT Research Portfolio (unaudited)
Performance



Average Annual Total Return - for the periods ended December 31, 2017					Expense Ratios - per the May 1, 2017 prospectuses
	One Year	Five Year	Ten Year	Since Inception*	Total Annual Fund Operating Expenses
Institutional Shares	27.88%	14.80%	7.74%	8.47%	0.64%
Service Shares	27.55%	14.52%	7.48%	8.18%	0.89%
Russell 1000 Growth Index	30.21%	17.33%	10.00%	9.41%	
S&P 500 Index	21.83%	15.79%	8.50%	9.63%	
Core Growth Index	25.97%	16.57%	9.26%	9.56%	
Morningstar Quartile - Institutional Shares	2nd	3rd	3rd	3rd	
Morningstar Ranking - based on total returns for Large Growth Funds	765/1,431	883/1,339	773/1,140	284/443	

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 800.668.0434 or visit janushenderson.com/VITperformance.

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

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

High absolute short-term performance is not typical and may not be achieved in the future. Such results should not be the sole basis for evaluating material facts in making an investment decision.

Returns shown do not represent actual returns since they do not include insurance charges. Returns shown would have been lower had they included insurance charges.

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

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

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

See important disclosures on the next page.

Janus Henderson VIT Research Portfolio (unaudited)
Performance

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

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

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

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

See "Useful Information About Your Portfolio Report."

Effective May 1, 2017, the Portfolio is managed by the Janus Henderson Research Team, overseen by Carmel Wellso.
*The Portfolio's inception date – September 13, 1993

Janus Henderson VIT Research Portfolio (unaudited)
Expense Examples

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; 12b-1 distribution and shareholder servicing fees (applicable to Service Shares only); transfer agent fees and expenses payable pursuant to the Transfer Agency Agreement; and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. The example is based upon an investment of $1,000 invested at the beginning of the period and held for the six-months indicated, unless noted otherwise in the table and footnotes below.

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

Hypothetical Example for Comparison Purposes
The information in the table under the heading "Hypothetical (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based upon the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Additionally, for an analysis of the fees associated with an investment in either share class or other similar funds, please visit www.finra.org/fundanalyzer.

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

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period (7/1/17 - 12/31/17)†	Net Annualized Expense Ratio (7/1/17 - 12/31/17)
Institutional Shares	$1,000.00	$1,103.90	$3.23	$1,000.00	$1,022.13	$3.11	0.61%
Service Shares	$1,000.00	$1,102.50	$4.56	$1,000.00	$1,020.87	$4.38	0.86%

† Expenses Paid During Period are equal to the Net Annualized Expense Ratio multiplied by the average account value over the period, multiplied by 184/365 (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
December 31, 2017

	Shares	Value
Common Stocks – 98.9%		
Aerospace & Defense – 2.3%		
General Dynamics Corp	35,289	$7,179,547
Northrop Grumman Corp	16,247	4,986,367
		12,165,914
Airlines – 1.0%		
United Continental Holdings Inc*	79,984	5,390,922
Auto Components – 1.2%		
Aptiv PLC	75,999	6,446,995
Beverages – 1.8%		
Coca-Cola Co	206,615	9,479,496
Biotechnology – 4.6%		
AnaptysBio Inc*	12,053	1,213,978
Biogen Inc*	21,760	6,932,083
Celgene Corp*	59,829	6,243,754
Insmed Inc*	52,658	1,641,876
Puma Biotechnology Inc*	44,652	4,413,850
Regeneron Pharmaceuticals Inc*	11,941	4,489,338
		24,934,879
Building Products – 0.7%		
AO Smith Corp	63,499	3,891,219
Capital Markets – 1.8%		
Blackstone Group LP	54,390	1,741,567
Intercontinental Exchange Inc	51,121	3,607,098
TD Ameritrade Holding Corp	89,805	4,591,730
		9,940,395
Chemicals – 3.1%		
Air Products & Chemicals Inc	46,561	7,639,729
Monsanto Co	23,154	2,703,924
Sherwin-Williams Co	15,438	6,330,198
		16,673,851
Construction Materials – 1.1%		
Vulcan Materials Co	46,278	5,940,707
Consumer Finance – 0.5%		
Synchrony Financial	67,181	2,593,858
Containers & Packaging – 1.8%		
Ball Corp	112,409	4,254,681
Sealed Air Corp	108,935	5,370,495
		9,625,176
Diversified Consumer Services – 0.5%		
ServiceMaster Global Holdings Inc*	52,048	2,668,501
Electrical Equipment – 2.1%		
AMETEK Inc	79,203	5,739,841
Sensata Technologies Holding NV*	108,391	5,539,864
		11,279,705
Electronic Equipment, Instruments & Components – 2.0%		
Amphenol Corp	57,896	5,083,269
Flex Ltd*	312,834	5,627,884
		10,711,153
Equity Real Estate Investment Trusts (REITs) – 2.0%		
American Tower Corp	66,122	9,433,626
Invitation Homes Inc	69,924	1,648,109
		11,081,735
Food & Staples Retailing – 0.9%		
Costco Wholesale Corp	25,831	4,807,666
Food Products – 0.8%		
Hershey Co	36,914	4,190,108
Health Care Equipment & Supplies – 1.6%		
Boston Scientific Corp*	188,693	4,677,699

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

Janus Henderson VIT Research Portfolio
Schedule of Investments
December 31, 2017

	Shares	Value
Common Stocks – (continued)		
Health Care Equipment & Supplies – (continued)		
DexCom Inc*	72,315	$4,150,158
		8,827,857
Health Care Providers & Services – 3.0%		
Aetna Inc	33,338	6,013,842
Humana Inc	23,462	5,820,218
Universal Health Services Inc	40,446	4,584,554
		16,418,614
Health Care Technology – 0.6%		
athenahealth Inc*	25,826	3,435,891
Hotels, Restaurants & Leisure – 4.3%		
Aramark	73,836	3,155,751
Dunkin' Brands Group Inc	48,081	3,099,782
McDonald's Corp	51,579	8,877,777
Norwegian Cruise Line Holdings Ltd*	21,542	1,147,112
Starbucks Corp	123,628	7,099,956
		23,380,378
Independent Power and Renewable Electricity Producers – 0.3%		
NRG Energy Inc	57,001	1,623,388
Information Technology Services – 5.8%		
Amdocs Ltd	44,059	2,884,983
Gartner Inc*	26,753	3,294,632
Mastercard Inc	66,931	10,130,676
Vantiv Inc*	27,711	2,038,144
Visa Inc	111,598	12,724,404
		31,072,839
Insurance – 0.9%		
Progressive Corp	90,933	5,121,347
Internet & Direct Marketing Retail – 5.4%		
Amazon.com Inc*	18,267	21,362,708
Priceline Group Inc*	3,620	6,290,619
Wayfair Inc*	21,817	1,751,251
		29,404,578
Internet Software & Services – 9.3%		
Alphabet Inc*	29,373	30,735,907
CoStar Group Inc*	15,251	4,528,784
Facebook Inc*	85,448	15,078,154
		50,342,845
Life Sciences Tools & Services – 0.8%		
Thermo Fisher Scientific Inc	23,598	4,480,788
Machinery – 1.5%		
Illinois Tool Works Inc	47,331	7,897,177
Media – 3.0%		
Comcast Corp	214,651	8,596,773
Walt Disney Co	69,644	7,487,426
		16,084,199
Oil, Gas & Consumable Fuels – 0.6%		
Anadarko Petroleum Corp	31,915	1,711,921
Enterprise Products Partners LP	55,576	1,473,320
		3,185,241
Personal Products – 1.0%		
Estee Lauder Cos Inc	43,112	5,485,571
Pharmaceuticals – 2.0%		
Allergan PLC	17,350	2,838,113
Eli Lilly & Co	91,383	7,718,208
		10,556,321
Professional Services – 0.5%		
Verisk Analytics Inc*	30,604	2,937,984

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

Janus Henderson VIT Research Portfolio
Schedule of Investments
December 31, 2017

	Shares	Value
Common Stocks – (continued)		
Real Estate Investment Trusts (REITs) – 0%		
Colony American Homes III (144A)[e,§]	442,372	$28,415
Road & Rail – 1.6%		
CSX Corp	159,756	8,788,178
Semiconductor & Semiconductor Equipment – 4.5%		
Broadcom Ltd	34,360	8,827,084
Microchip Technology Inc	67,070	5,894,112
Texas Instruments Inc	89,188	9,314,795
		24,035,991
Software – 11.5%		
Activision Blizzard Inc	131,176	8,306,064
Adobe Systems Inc*	67,473	11,823,969
Cadence Design Systems Inc*	76,255	3,188,984
Microsoft Corp	215,179	18,406,412
salesforce.com Inc*	82,310	8,414,551
SS&C Technologies Holdings Inc	58,978	2,387,429
Tyler Technologies Inc*	31,672	5,607,528
Ultimate Software Group Inc*	18,153	3,961,529
		62,096,466
Specialty Retail – 3.0%		
AutoZone Inc*	3,145	2,237,259
Home Depot Inc	41,922	7,945,477
L Brands Inc	30,786	1,853,933
Tractor Supply Co	52,679	3,937,755
		15,974,424
Technology Hardware, Storage & Peripherals – 5.3%		
Apple Inc	169,234	28,639,470
Textiles, Apparel & Luxury Goods – 1.5%		
Carter's Inc	22,427	2,634,948
NIKE Inc	83,658	5,232,808
		7,867,756
Tobacco – 1.5%		
Altria Group Inc	110,671	7,903,016
Trading Companies & Distributors – 0.7%		
Fastenal Co	71,109	3,888,951
Wireless Telecommunication Services – 0.5%		
T-Mobile US Inc*	40,901	2,597,623
Total Common Stocks (cost $389,835,619)		533,897,588
Investment Companies – 1.2%		
Money Markets – 1.2%		
Janus Cash Liquidity Fund LLC, 1.2731%[∞,£] (cost $6,311,000)	6,311,000	6,311,000
Total Investments (total cost $396,146,619) – 100.1%		540,208,588
Liabilities, net of Cash, Receivables and Other Assets – (0.1)%		(721,934)
Net Assets – 100%		$539,486,654

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

Janus Henderson VIT Research Portfolio
Schedule of Investments
December 31, 2017

Schedules of Affiliated Investments – (% of Net Assets)

	Dividend Income[1]	*Realized Gain/(Loss)*[1]	*Change in Unrealized Appreciation/ Depreciation*[1]	*Value at 12/31/17*
Investment Companies – 1.2%				
Money Markets – 1.2%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	$ 38,153	$ —	$ —	$ 6,311,000

(1) For securities that were affiliated for a portion of the year ended December 31, 2017, this column reflects amounts for the entire year ended December 31, 2017 and not just the period in which the security was affiliated.

	Share Balance at 12/31/16	*Purchases*	*Sales*	*Share Balance at 12/31/17*
Investment Companies – 1.2%				
Money Markets – 1.2%				
Janus Cash Liquidity Fund LLC, 1.2731%∞	5,920,000	86,370,004	(85,979,004)	6,311,000

The following tables provide information about the effect of derivatives and hedging activities on the Portfolio's Statement of Operations for the year ended December 31, 2017.

The effect of Derivative Instruments (not accounted for as hedging instruments) on the Statement of Operations for the year ended December 31, 2017

Amount of Realized Gain/(Loss) Recognized on Derivatives	
Derivative	*Equity Contracts*
Purchased options contracts	$(145,374)

Amount of Change in Unrealized Appreciation/Depreciation Recognized on Derivatives	
Derivative	*Equity Contracts*
Purchased options contracts	$ 143,346

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 Year Ended December 31, 2017

	Market Value
Purchased options contracts, call	$ 156

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

Russell 1000® Growth Index	Russell 1000® Growth Index reflects the performance of U.S. large-cap equities with higher price-to-book ratios and higher forecasted growth values.
Core Growth Index	Core Growth Index is an internally calculated, hypothetical combination of total returns from the Russell 1000® Growth Index (50%) and the S&P 500® Index (50%).
S&P 500® Index	S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.
LLC	Limited Liability Company
LP	Limited Partnership
PLC	Public Limited Company

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 year ended December 31, 2017 is $28,415, which represents 0.0% of net assets.

* Non-income producing security.

°° Rate shown is the 7-day yield as of December 31, 2017.

¢ Security is valued using significant unobservable inputs.

£ The Portfolio may invest in certain securities that are considered affiliated companies. As defined by the Investment Company Act of 1940, as amended, an affiliated company is one in which the Portfolio owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.

§ Schedule of Restricted and Illiquid Securities (as of December 31, 2017)

	Acquisition Date	*Cost*	*Value*	*Value as a % of Net Assets*
Colony American Homes III	10/8/16	$ 35,020	$ 28,415	0.0%

The Portfolio has registration rights for certain restricted securities held as of December 31, 2017. The issuer incurs all registration costs.

The following is a summary of the inputs that were used to value the Portfolio's investments in securities and other financial instruments as of December 31, 2017. See Notes to Financial Statements for more information.

Valuation Inputs Summary

	Level 1 - Quotes Prices	***Level 2 - Other Significant Observable Inputs***	***Level 3 - Significant Unobservable Inputs***
Assets			
Investments in Securities:			
Common Stocks			
Real Estate Investment Trusts (REITs)	$ -	$ -	$ 28,415
All Other	533,869,173	-	-
Investment Companies	-	6,311,000	-
Total Assets	$ 533,869,173	$ 6,311,000	$ 28,415

Janus Henderson VIT Research Portfolio
Statement of Assets and Liabilities
December 31, 2017

Assets:		
Unaffiliated investments, at value[1]	$	533,897,588
Affiliated investments, at value[2]		6,311,000
Cash		870
Non-interested Trustees' deferred compensation		10,310
Receivables:		
Dividends		310,490
Portfolio shares sold		218,438
Dividends from affiliates		5,119
Foreign tax reclaims		1,931
Other assets		4,591
Total Assets		540,760,337
Liabilities:		
Payables:		
Investments purchased		607,362
Portfolio shares repurchased		278,117
Advisory fees		236,497
12b-1 Distribution and shareholder servicing fees		35,269
Professional fees		34,380
Transfer agent fees and expenses		25,466
Non-interested Trustees' deferred compensation fees		10,310
Non-interested Trustees' fees and expenses		3,822
Portfolio administration fees		3,698
Custodian fees		2,990
Accrued expenses and other payables		35,772
Total Liabilities		1,273,683
Net Assets	$	539,486,654
Net Assets Consist of:		
Capital (par value and paid-in surplus)	$	369,485,465
Undistributed net investment income/(loss)		1,055,597
Undistributed net realized gain/(loss) from investments and foreign currency transactions		24,881,771
Unrealized net appreciation/(depreciation) of investments, foreign currency translations and non-interested Trustees' deferred compensation		144,063,821
Total Net Assets	$	539,486,654
Net Assets - Institutional Shares	$	379,047,530
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		10,380,677
Net Asset Value Per Share	$	36.51
Net Assets - Service Shares	$	160,439,124
Shares Outstanding, $0.01 Par Value (unlimited shares authorized)		4,496,603
Net Asset Value Per Share	$	35.68

(1) Includes cost of $389,835,619.
(2) Includes cost of $6,311,000.

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio
Statement of Operations
For the year ended December 31, 2017

Investment Income:		
Dividends	$	5,605,848
Dividends from affiliates		38,153
Foreign tax withheld		(1,407)
Total Investment Income		5,642,594
Expenses:		
Advisory fees		2,627,162
12b-1Distribution and shareholder servicing fees:		
Service Shares		386,633
Transfer agent administrative fees and expenses:		
Institutional Shares		180,061
Service Shares		77,327
Other transfer agent fees and expenses:		
Institutional Shares		12,562
Service Shares		3,178
Shareholder reports expense		66,474
Professional fees		49,290
Portfolio administration fees		44,008
Registration fees		24,448
Custodian fees		19,443
Non-interested Trustees' fees and expenses		13,325
Other expenses		33,012
Total Expenses		3,536,923
Net Investment Income/(Loss)		2,105,671
Net Realized Gain/(Loss) on Investments:		
Investments and foreign currency transactions		49,239,013
Purchased options contracts		(145,374)
Total Net Realized Gain/(Loss) on Investments		49,093,639
Change in Unrealized Net Appreciation/Depreciation:		
Investments, foreign currency translations and non-interested Trustees' deferred compensation		73,794,829
Purchased options contracts		143,346
Total Change in Unrealized Net Appreciation/Depreciation		73,938,175
Net Increase/(Decrease) in Net Assets Resulting from Operations	$	125,137,485

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio
Statements of Changes in Net Assets

		Year ended December 31, 2017		*Year ended December 31, 2016*
Operations:				
Net investment income/(loss)	$	2,105,671	$	1,986,659
Net realized gain/(loss) on investments		49,093,639		28,581,471
Change in unrealized net appreciation/depreciation		73,938,175		(28,910,524)
Net Increase/(Decrease) in Net Assets Resulting from Operations		125,137,485		1,657,606
Dividends and Distributions to Shareholders:				
Dividends from Net Investment Income				
Institutional Shares		(1,412,483)		(1,882,866)
Service Shares		(376,759)		(579,147)
Total Dividends from Net Investment Income		(1,789,242)		(2,462,013)
Distributions from Net Realized Gain from Investment Transactions				
Institutional Shares		(3,425,857)		(21,802,599)
Service Shares		(1,510,437)		(9,582,277)
Total Distributions from Net Realized Gain from Investment Transactions		(4,936,294)		(31,384,876)
Net Decrease from Dividends and Distributions to Shareholders		(6,725,536)		(33,846,889)
Capital Share Transactions:				
Institutional Shares		(34,354,187)		(27,969,269)
Service Shares		(18,987,617)		(9,235,600)
Net Increase/(Decrease) from Capital Share Transactions		(53,341,804)		(37,204,869)
Net Increase/(Decrease) in Net Assets		65,070,145		(69,394,152)
Net Assets:				
Beginning of period		474,416,509		543,810,661
End of period	$	539,486,654	$	474,416,509
Undistributed Net Investment Income/(Loss)	$	1,055,597	$	924,457

See Notes to Financial Statements.

Janus Henderson VIT Research Portfolio
Financial Highlights

Institutional Shares

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

Service Shares

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

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

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

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

See Notes to Financial Statements.

1. Organization and Significant Accounting Policies

Janus Henderson VIT Research Portfolio (formerly named Janus Aspen Janus Portfolio) (the "Portfolio") is a series of Janus Aspen Series (the "Trust"), which is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company, and therefore has applied the specialized accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. The Trust offers 12 portfolios, each of which offers multiple share classes, with differing investment objectives and policies. The Portfolio seeks long-term growth of capital. The Portfolio is classified as diversified, as defined in the 1940 Act.

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

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

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

Investment Valuation

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

Valuation Inputs Summary

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

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

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

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

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

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

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

The inputs or methodology used for fair valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of December 31, 2017 to fair value the Portfolio's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" in the Notes to Schedule of Investments and Other Information.

The Portfolio did not hold a significant amount of Level 3 securities as of December 31, 2017.

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

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

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

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

2. Derivative Instruments
The Portfolio may invest in various types of derivatives, which may at times result in significant derivative exposure. A derivative is a financial instrument whose performance is derived from the performance of another asset. The Portfolio may invest in derivative instruments including, but not limited to: futures contracts, put options, call options, options on future contracts, options on foreign currencies, options on recovery locks, options on security and commodity indices, swaps, forward contracts, structured investments, and other equity-linked derivatives. Each derivative instrument that was held by the Portfolio during the year ended December 31, 2017 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 would be prohibited by its investment restrictions from purchasing directly. The Portfolio's ability to use derivative instruments may also be limited by tax considerations.

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

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

- **Commodity Risk** – the risk related to the change in value of commodities or commodity-linked investments due to changes in the overall market movements, volatility of the underlying benchmark, changes in interest rates, or other factors affecting a particular industry of commodity such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

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

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

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

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

The Portfolio may use options contracts to hedge against changes in interest rates, the values of equities, or foreign currencies. The Portfolio generally invests in options to hedge against adverse movements in the value of portfolio

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

Options traded on an exchange are regulated and the terms of the options are standardized. Options traded OTC expose the Portfolio to counterparty risk in the event that the counterparty does not perform. This risk is mitigated by having a netting arrangement between the Portfolio and the counterparty and by having the counterparty post collateral to cover the Portfolio's exposure to the counterparty.

The Portfolio may purchase put options to hedge against a decline in the value of its portfolio. By using put options in this way, the Portfolio will reduce any profit it might otherwise have realized in the underlying security by the amount of the premium paid for the put option and by transaction costs. The Portfolio may purchase call options to hedge against an increase in the price of securities that it may buy in the future. The premium paid for the call option plus any transaction costs will reduce the benefit, if any, realized by the Portfolio upon exercise of the option, and, unless the price of the underlying security rises sufficiently, the option may expire worthless to the Portfolio. The risk in buying options is that the Portfolio pays a premium whether or not the options are exercised. Options purchased are reported in the Schedule of Investments (if applicable).

During the year, the Portfolio purchased call options on various equity securities for the purpose of increasing exposure to individual equity risk. There were no purchased call options held at December 31, 2017.

3. Other Investments and Strategies

Additional Investment Risk

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

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

A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt, notably due to investments in sovereign debt of countries such as Greece, Italy, Spain, Portugal, and Ireland. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit. As a result, financial markets in the EU experienced extreme volatility and declines in asset values and liquidity. Responses to these financial problems by European governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings

by governments and others of their debt could have additional adverse effects on economies, financial markets, and asset valuations around the world. Greece, Ireland, and Portugal have already received one or more "bailouts" from other Eurozone member states, and it is unclear how much additional funding they will require or if additional Eurozone member states will require bailouts in the future. The risk of investing in securities in the European markets may also be heightened due to the referendum in which the United Kingdom voted to exit the EU (known as “Brexit”). There is considerable uncertainty about how Brexit will be conducted, how negotiations of necessary treaties and trade agreements will proceed, or how financial markets will react. In addition, one or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy.

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

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

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

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

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

4. Investment Advisory Agreements and Other Transactions with Affiliates

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

The investment advisory fee rate is determined by calculating a base fee and applying a performance adjustment. The base fee rate is the same as the contractual investment advisory fee rate. The performance adjustment either increases

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

The calculation of the performance adjustment applies as follows:

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

The investment advisory fee rate paid to Janus Capital by the Portfolio consists of two components: (1) a base fee calculated by applying the contractual fixed rate of the advisory fee to the Portfolio's average daily net assets during the previous month ("Base Fee Rate"), plus or minus (2) a performance-fee adjustment ("Performance Adjustment") calculated by applying a variable rate of up to 0.15% (positive or negative) to the Portfolio's average daily net assets based on the Portfolio's relative performance compared to the cumulative investment record of its benchmark index over a 36-month performance measurement period.

The Portfolio's prospectuses and statement(s) of additional information contain additional information about performance-based fees. The amount shown as advisory fees on the Statement of Operations reflects the Base Fee Rate plus/minus any Performance Adjustment. For the year ended December 31, 2017, the performance adjusted investment advisory fee rate before any waivers and/or reimbursements of expenses is 0.51%.

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

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

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

Janus Capital furnishes certain administration, compliance, and accounting services to the Portfolio, including providing office space for the Portfolio and providing personnel to serve as officers to the Portfolio. The Portfolio reimburses Janus Capital for certain of its costs in providing these services (to the extent Janus Capital seeks reimbursement and such costs are not otherwise waived). These costs include some or all of the salaries, fees, and expenses of Janus Capital employees and Portfolio officers, including the Portfolio's Chief Compliance Officer and compliance staff, who provide specified administration and compliance services to the Portfolio. The Portfolio pays these costs based on out-of-pocket expenses incurred by Janus Capital, and these costs are separate and apart from advisory fees and other expenses paid in connection with the investment advisory services Janus Capital provides to the Portfolio. These

amounts are disclosed as "Portfolio administration fees" on the Statement of Operations. Total compensation of $17,105 was paid to the Chief Compliance Officer and certain compliance staff by the Trust during the year ended December 31, 2017. The Portfolio's portion is reported as part of "Other expenses" on the Statement of Operations.

The Board of Trustees has adopted a deferred compensation plan (the "Deferred Plan") for independent Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Portfolio. All deferred fees are credited to an account established in the name of the Trustees. The amounts credited to the account then increase or decrease, as the case may be, in accordance with the performance of one or more of the Janus Henderson funds that are selected by the Trustees. The account balance continues to fluctuate in accordance with the performance of the selected fund or funds until final payment of all amounts are credited to the account. The fluctuation of the account balance is recorded by the Portfolio as unrealized appreciation/(depreciation) and is included as of December 31, 2017 on the Statement of Assets and Liabilities in the asset, "Non-interested Trustees' deferred compensation," and liability, "Non-interested Trustees' deferred compensation fees." Additionally, the recorded unrealized appreciation/(depreciation) is included in "Unrealized net appreciation/(depreciation) of investments and non-interested Trustees' deferred compensation" on the Statement of Assets and Liabilities. Deferred compensation expenses for the year ended December 31, 2017 are included in "Non-interested Trustees' fees and expenses" on the Statement of Operations. Trustees are allowed to change their designation of mutual funds from time to time. Amounts will be deferred until distributed in accordance with the Deferred Plan. Deferred fees of $416,450 were paid by the Trust to the Trustees under the Deferred Plan during the year ended December 31, 2017.

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

Any purchases and sales, realized gains/losses and recorded dividends from affiliated investments during the year ended December 31, 2017 can be found in a table 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 year ended December 31, 2017, the Portfolio engaged in cross trades amounting to $26,317,156 in purchases and $20,462,603 in sales, resulting in a net realized gain of $2,766,881. The net realized gain is included within the "Net Realized Gain/(Loss) on Investments" section of the Portfolio's Statement of Operations.

5. Federal Income Tax

The tax components of capital shown in the table below represent: (1) distribution requirements the Portfolio must satisfy under the income tax regulations; (2) losses or deductions the Portfolio may be able to offset against income and gains realized in future years; and (3) unrealized appreciation or depreciation of investments for federal income tax purposes.

Other book to tax differences primarily consist of deferred compensation. 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.

			Loss Deferrals			
Undistributed Ordinary Income	*Undistributed Long-Term Gains*	*Accumulated Capital Losses*	*Late-Year Ordinary Loss*	*Post-October Capital Loss*	*Other Book to Tax Differences*	*Net Tax Appreciation/ (Depreciation)*
$ 1,048,452	$ 25,239,835	$ -	$ -	$ -	$ (8,457)	$143,721,359

During the year ended December 31, 2017, capital loss carryovers of $23,370,699 were utilized by the Portfolio.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investment securities for federal income tax purposes as of December 31, 2017 are noted below. The primary differences between book and tax appreciation or depreciation of investments are wash sale loss deferrals and investments in partnerships.

Federal Tax Cost	*Unrealized Appreciation*	*Unrealized (Depreciation)*	*Net Tax Appreciation/ (Depreciation)*
$ 396,487,229	$149,105,444	$ (5,384,085)	$ 143,721,359

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. Certain permanent differences such as tax returns of capital and net investment losses noted below have been reclassified to capital.

For the year ended December 31, 2017

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 1,789,242	$ 4,936,294	$ -	$ -

For the year ended December 31, 2016

Distributions			
From Ordinary Income	*From Long-Term Capital Gains*	*Tax Return of Capital*	*Net Investment Loss*
$ 2,462,013	$ 31,384,876	$ -	$ -

Permanent book to tax basis differences may result in reclassifications between the components of net assets. These differences have no impact on the results of operations or net assets. The following reclassifications have been made to the Portfolio:

Increase/(Decrease) to Capital	*Increase/(Decrease) to Undistributed Net Investment Income/Loss*	*Increase/(Decrease) to Undistributed Net Realized Gain/Loss*
$ -	$ (185,289)	$ 185,289

6. Capital Share Transactions

	Year ended December 31, 2017		Year ended December 31, 2016	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	188,132	$ 6,276,438	291,626	$ 8,538,238
Reinvested dividends and distributions	142,892	4,838,340	834,649	23,685,465
Shares repurchased	(1,373,370)	(45,468,965)	(2,048,258)	(60,192,972)
Net Increase/(Decrease)	(1,042,346)	$(34,354,187)	(921,983)	$(27,969,269)
Service Shares:				
Shares sold	221,432	$ 7,150,742	497,999	$ 14,331,748
Reinvested dividends and distributions	57,145	1,887,196	365,761	10,161,424
Shares repurchased	(865,269)	(28,025,555)	(1,176,387)	(33,728,772)
Net Increase/(Decrease)	(586,692)	$(18,987,617)	(312,627)	$ (9,235,600)

7. Purchases and Sales of Investment Securities

For the year ended December 31, 2017, 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*
$279,856,365	$ 335,476,314	$ -	$ -

8. Recent Accounting Pronouncements

The Securities and Exchange Commission ("SEC") adopted new rules as well as amendments to its rules to modernize the reporting and disclosure of information by registered investment companies. In addition, the SEC adopted amendments to Regulation S-X, which require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date of the amendments to Regulation S-X was August 1, 2017. This report incorporates the amendments to Regulation S-X.

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

9. Merger Related Matters

On October 3, 2016, Janus Capital Group Inc. (“JCGI”), the direct parent of Janus Capital, and Henderson Group plc (“Henderson”) announced that they had entered into an Agreement and Plan of Merger (“Merger Agreement”) relating to the strategic combination of Henderson and JCGI (the “Merger”). Pursuant to the Merger Agreement, a newly formed, direct wholly-owned subsidiary of Henderson merged with and into JCGI, with JCGI as the surviving corporation and a direct wholly-owned subsidiary of Henderson. The Merger was effective May 30, 2017.

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

On December 8, 2016, the Trustees approved, subject to shareholder approval, a new investment advisory agreement between the Portfolio and Janus Capital in order to permit Janus Capital to continue to provide advisory services to the

Portfolio following the closing of the Merger (the "Post-Merger Advisory Agreement"). At the same meeting, the Trustees approved submitting the Post-Merger Advisory Agreement, among other proposals, to Portfolio shareholders for approval.

Special Meeting(s) of Shareholders were held on April 6, 2017, and adjourned and reconvened on April 18, 2017.

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

10. Subsequent Event

Management has evaluated whether any events or transactions occurred subsequent to December 31, 2017 and through the date of issuance of the Portfolio's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Portfolio's financial statements.

Janus Henderson VIT Research Portfolio
Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Janus Aspen Series and Shareholders of Janus Henderson VIT Research Portfolio:

Opinion on the Financial Statements
We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Janus Henderson VIT Research Portfolio (one of the portfolios constituting Janus Aspen Series, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statements of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Denver, Colorado
February 16, 2018

We have served as the auditor of one or more investment companies in Janus Henderson Funds since 1990.

Proxy Voting Policies and Voting Record

A description of the policies and procedures that the Portfolio uses to determine how to vote proxies relating to its portfolio securities is available without charge: (i) upon request, by calling 1-800-525-1093; (ii) on the Portfolio's website at janushenderson.com/proxyvoting; and (iii) on the SEC's website at http://www.sec.gov. Additionally, information regarding the Portfolio's proxy voting record for the most recent twelve-month period ended June 30 is also available, free of charge, through janushenderson.com/proxyvoting and from the SEC's website at http://www.sec.gov.

Full Holdings

The Portfolio is required to disclose its complete holdings in the quarterly holdings report on Form N-Q within 60 days of the end of the first and third fiscal quarters, and in the annual report and semiannual report to Portfolio shareholders. These reports (i) are available on the SEC's website at http://www.sec.gov; (ii) may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room may be obtained by calling 1-800-SEC-0330); and (iii) are available without charge, upon request, by calling a Janus Henderson representative at 1-877-335-2687 (toll free) . Portfolio holdings consisting of at least the names of the holdings are generally available on a monthly basis with a 30-day lag. Holdings are generally posted approximately two business days thereafter under Full Holdings for the Portfolio at janushenderson.com/vit.

APPROVAL OF ADVISORY AGREEMENTS DURING THE PERIOD

December 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the investment advisory agreement for each Fund and the subadvisory agreements for the 14 Funds that utilize subadvisers.

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

Additionally, in connection with their consideration of whether to continue the investment advisory agreement and subadvisory agreement for each Fund, as applicable, the Trustees also received and reviewed information in connection with the transaction to combine the respective businesses of Henderson Group plc and Janus Capital Group, Inc., the parent company of Janus Capital (the "Transaction"), announced in October 2016, which closed in the second quarter of 2017. In this regard, the Trustees reviewed information regarding the impact of the Transaction on the services to be provided by Janus Capital and each subadviser, as applicable, to the Funds under such agreements prior to the close of the Transaction as well as the services provided after the Transaction closed.

At a meeting held on December 7, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2018 through February 1, 2019, subject to earlier termination as provided for in each agreement.

In considering the continuation of those agreements, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered dispositive. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the agreements are discussed separately below. Also included is a summary of the independent fee consultant's conclusions and opinions that arose during, and were included as part of, the Trustees' consideration of the

agreements. "Management fees," as used herein, reflect actual annual advisory fees and any administration fees (excluding out of pocket costs), net of any waivers.

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

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

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2017, approximately 70% of the Funds were in the top two quartiles of performance, as reported by Morningstar, and for the 12 months ended September 30, 2017, approximately 46% of the Funds were in the top two quartiles of performance, as reported by Morningstar.

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

Alternative Funds

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

Asset Allocation Funds

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

quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.

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

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Real Return Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the first Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Strategic Income Fund, the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Global and International Equity Funds

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

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

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

Money Market Funds

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

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson All Asset Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the third Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2017 and the second Broadridge quartile for the 12 months ended May 31, 2017.

Multi-Asset U.S. Equity Funds

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

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

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

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

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

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of

that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 10% below the average total expenses of their respective Broadridge Expense Group peers and 18% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 8% below the average management fees for their Expense Groups and 9% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

The Trustees also reviewed management fees charged by Janus Capital and each subadviser to comparable separate account clients and to comparable non-affiliated funds subadvised by Janus Capital or by a subadviser (for which Janus Capital or the subadviser provides only or primarily portfolio management services). Although in most instances subadvisory and separate account fee rates for various investment strategies were lower than management fee rates for Funds having a similar strategy, the Trustees considered that Janus Capital noted that, under the terms of the management agreements with the Funds, Janus Capital performs significant additional services for the Funds that it does not provide to those other clients, including administration services, oversight of the Funds' other service providers, trustee support, regulatory compliance and numerous other services, and that, in serving the Funds, Janus Capital assumes many legal risks and other costs that it does not assume in servicing its other clients. Moreover, they noted that the independent fee consultant found that: (1) the management fees Janus Capital charges to the Funds are reasonable in relation to the management fees Janus Capital charges to its institutional clients and to the fees Janus Capital charges to funds subadvised by Janus Capital; (2) these institutional and subadvised accounts have different service and infrastructure needs; (3) Janus mutual fund investors enjoy reasonable fees relative to the fees charged to Janus institutional and subadvised fund investors; (4) in three of seven product categories, the Funds receive proportionally better pricing than the industry in relation to Janus institutional clients; and (5) in seven of eight strategies, Janus Capital has lower management fees than funds subadvised by Janus Capital's portfolio managers.

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

Alternative Funds

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

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Fixed-Income Funds

- For Janus Henderson Flexible Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Unconstrained Bond Fund, the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2017 and the bottom Broadridge quartile for the 12 months ended May 31, 2017. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson High-Yield Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Multi-Sector Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Real Return Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Short-Term Bond Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to waive 11 basis points of management fees effective February 1, 2018 and also has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Strategic Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.

Global and International Equity Funds

- For Janus Henderson Asia Equity Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

- For Janus Henderson Emerging Markets Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson European Focus Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Global Equity Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Life Sciences Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Research Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Technology Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Value Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson International Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Small Cap Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson International Value Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Overseas Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Money Market Funds

- For Janus Henderson Government Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.
- For Janus Henderson Money Market Fund, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes. In addition, the Trustees considered that Janus Capital voluntarily waives one-half of its advisory fee and other expenses in order to maintain a positive yield.

Multi-Asset Funds

- For Janus Henderson Adaptive Global Allocation Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson All Asset Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's total expenses effective June 5, 2017.
- For Janus Henderson Dividend & Income Builder Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Value Plus Income Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Multi-Asset U.S. Equity Funds

- For Janus Henderson Balanced Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Contrarian Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Enterprise Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Growth and Income Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Research Fund, the Trustees noted that, although the Fund's total expenses were equal to or exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective February 1, 2017.
- For Janus Henderson Triton Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson U.S. Growth Opportunities Fund, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses effective June 5, 2017.
- For Janus Henderson Venture Fund, the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Quantitative Equity Funds

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

U.S. Equity Funds

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

Janus Aspen Series

- For Janus Henderson Balanced Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Enterprise Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Flexible Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Forty Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable.
- For Janus Henderson Global Allocation Portfolio - Moderate, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Research Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Technology Portfolio, the Trustees noted that the Fund's total expenses were below the peer group average for both share classes.
- For Janus Henderson Global Unconstrained Bond Portfolio, the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

The Trustees reviewed information on the overall profitability to Janus Capital and its affiliates of their relationship with the Funds, and considered profitability data of other fund managers. The Trustees also considered the financial information, estimated profitability and corporate structure of Janus Capital's parent company before and after the Transaction. The Trustees recognized that profitability comparisons among fund managers are difficult because of the variation in the type of comparative information that is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. The Trustees also noted that the Trustees' independent fee consultant reviewed the overall profitability of Janus Capital's parent company prior to the Transaction, and the independent fee consultant found that, while assessing the reasonableness of Fund expenses in light of such profits was dependent on comparisons with other publicly-traded mutual fund advisers, and that these comparisons were limited in accuracy by differences in complex size, business mix, institutional account orientation and other factors, after accepting these limitations, the level of profit earned by Janus Capital's parent company was reasonable. In this regard, the independent consultant concluded that the profitability of Janus Capital's parent company did not show excess nor did it show any insufficiency that could limit the ability to invest the resources needed to drive strong future investment performance on behalf of the Funds.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints or performance fees, their independent fee consultant concluded that 86% of these Funds' share classes have contractual management fees (gross of waivers) below their Broadridge expense group averages. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing certain of these Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

The independent fee consultant concluded that, given the limitations of various analytical approaches to economies of scale it had considered in prior years, and their conflicting results, it is difficult to analytically confirm or deny the existence of economies of scale in the Janus complex. The independent consultant concluded that (1) to the extent there were economies of scale at Janus Capital, Janus Capital's general strategy of setting fixed management fees below peers appeared to share any such economies with investors even on smaller Funds which have not yet achieved those economies and (2) by setting lower fixed fees from the start on these Funds, Janus Capital appeared to be investing to increase the likelihood that these Funds will grow to a level to achieve any scale economies that may exist. Further, the independent fee consultant provided its belief that Fund investors are well-served by the fee levels and performance fee structures in place on the Funds in light of any economies of scale that may be present at Janus Capital.

Other Benefits to Janus Capital

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

January 2017

The Trustees of Janus Investment Fund and Janus Aspen Series, each of whom serves as an "independent" Trustee (the "Trustees"), oversee the management of each Fund of Janus Investment Fund and each Portfolio of Janus Aspen Series (each, a "Fund" and collectively, the "Funds"), and as required by law, determine annually whether to continue the

investment advisory agreement for each Fund and the subadvisory agreements for the 16 Funds that utilize subadvisers.

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

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

At a meeting held on January 26, 2017, based on the Trustees' evaluation of the information provided by Janus Capital, the subadvisers, and the independent fee consultant, as well as other information, the Trustees determined that the overall arrangements between each Fund and Janus Capital and each subadviser, as applicable, were fair and reasonable in light of the nature, extent and quality of the services provided by Janus Capital, its affiliates and the subadvisers, the fees charged for those services, and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees unanimously approved the continuation of the investment advisory agreement for each Fund, and the subadvisory agreement for each subadvised Fund, for the period from February 1, 2017 through February 1, 2018, subject to earlier termination as provided for in each agreement.

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

Nature, Extent and Quality of Services

The Trustees reviewed the nature, extent and quality of the services provided by Janus Capital and the subadvisers to the Funds, taking into account the investment objective, strategies and policies of each Fund, and the knowledge the Trustees gained from their regular meetings with management on at least a quarterly basis and their ongoing review of information related to the Funds. In addition, the Trustees reviewed the resources and key personnel of Janus Capital and each subadviser, particularly noting those employees who provide investment and risk management services to the Funds. The Trustees also considered other services provided to the Funds by Janus Capital or the subadvisers, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions. The Trustees considered Janus Capital's role as administrator to the Funds, noting that Janus Capital does not receive a fee for its services but is reimbursed for its out-of-pocket costs. The Trustees considered the role of Janus Capital in monitoring adherence to the Funds' investment restrictions, providing support services for the Trustees and Trustee committees, and overseeing communications with shareholders and the activities of other service providers, including monitoring compliance with various policies and procedures of the Funds and with applicable securities laws and regulations.

In this regard, the independent fee consultant noted that Janus Capital provides a number of different services for the Funds and Fund shareholders, ranging from investment management services to various other servicing functions, and that, in its opinion, Janus Capital is a capable provider of those services. The independent fee consultant also provided

its belief that Janus Capital has developed a number of institutional competitive advantages that should enable it to provide superior investment and service performance over the long term.

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

Performance of the Funds

The Trustees considered the performance results of each Fund over various time periods. They noted that they considered Fund performance data throughout the year, including periodic meetings with each Fund's portfolio manager(s), and also reviewed information comparing each Fund's performance with the performance of comparable funds and peer groups identified by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent data provider, and with the Fund's benchmark index. In this regard, the independent fee consultant found that the overall Funds' performance has been strong: for the 36 months ended September 30, 2016, approximately 76% of the Funds were in the top two Broadridge quartiles of performance, and for the 12 months ended September 30, 2016, approximately 47% of the Funds were in the top two Broadridge quartiles of performance.

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

Fixed-Income Funds and Money Market Funds

- For Janus Henderson Flexible Bond Fund (formerly, Janus Flexible Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Bond Fund (formerly, Janus Global Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Unconstrained Bond Fund (formerly, Janus Global Unconstrained Bond Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson High-Yield Fund (formerly, Janus High-Yield Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Multi-Sector Income Fund (formerly, Janus Multi-Sector Income Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Real Return Fund (formerly, Janus Real Return Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Short-Term Bond Fund (formerly, Janus Short-Term Bond Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Government Money Market Fund (formerly, Janus Government Money Market Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.
- For Janus Henderson Money Market Fund (formerly, Janus Money Market Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the

bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance.

Asset Allocation Funds

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

Alternative Fund

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

Value Funds

- For Janus Henderson International Value Fund (formerly, Perkins International Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Value Fund (formerly, Perkins Global Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Large Cap Value Fund (formerly, Perkins Large Cap Value Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Mid Cap Value Fund (formerly, Perkins Mid Cap Value Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Select Value Fund (formerly, Perkins Select Value Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Small Cap Value Fund (formerly, Perkins Small Cap Value Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the third Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Contrarian Fund (formerly, Janus Contrarian Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Enterprise Fund (formerly, Janus Enterprise Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Forty Fund (formerly, Janus Forty Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Growth and Income Fund (formerly, Janus Growth and Income Fund), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 36 months ended May 31, 2016 and in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Fund (formerly, Janus Research Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Triton Fund (formerly, Janus Triton Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Venture Fund (formerly, Janus Venture Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, due to limited performance for the Fund, performance history was not a material factor.

- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, the steps Janus Capital had taken or was taking to improve performance, and that the performance trend was improving.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.

Janus Aspen Series

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

- For Janus Henderson Global Allocation Portfolio – Moderate (formerly, Janus Aspen Global Allocation Portfolio – Moderate), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Research Portfolio (formerly, Janus Aspen Global Research Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance
- For Janus Henderson Global Technology Portfolio (formerly, Janus Aspen Global Technology Portfolio), the Trustees noted that the Fund's performance was in the third Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Global Unconstrained Bond Portfolio (formerly, Janus Aspen Global Unconstrained Bond Portfolio), the Trustees noted that the Fund's performance was in the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson U.S. Low Volatility Portfolio (formerly, Janus Aspen Intech U.S. Low Volatility Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Research Portfolio (formerly, Janus Aspen Janus Portfolio), the Trustees noted that the Fund's performance was in the first Broadridge quartile for the 36 months ended May 31, 2016 and the second Broadridge quartile for the 12 months ended May 31, 2016.
- For Janus Henderson Overseas Portfolio (formerly, Janus Aspen Overseas Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the bottom Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, and the steps Janus Capital had taken or was taking to improve performance.
- For Janus Henderson Mid Cap Value Portfolio (formerly, Janus Aspen Perkins Mid Cap Value Portfolio), the Trustees noted that the Fund's performance was in the bottom Broadridge quartile for the 36 months ended May 31, 2016 and the first Broadridge quartile for the 12 months ended May 31, 2016. The Trustees noted the reasons for the Fund's underperformance, noting that the Fund has a performance fee structure that results in lower management fees during periods of underperformance, the steps Janus Capital and Perkins had taken or were taking to improve performance, and that the performance trend was improving.

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

Costs of Services Provided

The Trustees examined information regarding the fees and expenses of each Fund in comparison to similar information for other comparable funds as provided by Broadridge, an independent data provider. They also reviewed an analysis of that information provided by their independent fee consultant and noted that the rate of management (investment advisory and any administration, but excluding out-of-pocket costs) fees for many of the Funds, after applicable waivers, was below the average management fee rate of the respective peer group of funds selected by an independent data provider. The Trustees also examined information regarding the subadvisory fees charged for subadvisory services, as applicable, noting that all such fees were paid by Janus Capital out of its management fees collected from such Fund.

The independent fee consultant provided its belief that the management fees charged by Janus Capital to each of the Funds under the current investment advisory and administration agreements are reasonable in relation to the services provided by Janus Capital. The independent fee consultant found: (1) the total expenses and management fees of the Funds to be reasonable relative to other mutual funds; (2) total expenses, on average, were 12% below the average total expenses of their respective Broadridge Expense Group peers and 20% below the average total expenses for their Broadridge Expense Universes; (3) management fees for the Funds, on average, were 11% below the average management fees for their Expense Groups and 13% below the average for their Expense Universes; and (4) Fund expenses at the functional level for each asset and share class category were reasonable. The Trustees also considered the total expenses for each share class of each Fund compared to the average total expenses for its Broadridge Expense Group peers and to average total expenses for its Broadridge Expense Universe.

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

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

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

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

Fixed-Income Funds and Money Market Funds

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

classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

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

Asset Allocation Funds

- For Janus Henderson Global Allocation Fund – Conservative (formerly, Janus Global Allocation Fund – Conservative), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.
- For Janus Henderson Global Allocation Fund – Growth (formerly, Janus Global Allocation Fund – Growth), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Allocation Fund – Moderate (formerly, Janus Global Allocation Fund – Moderate), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Alternative Fund

- For Janus Henderson Diversified Alternatives Fund (formerly, Janus Diversified Alternatives Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.

Value Funds

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

Mathematical Funds

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

Growth and Core Funds

- For Janus Henderson Balanced Fund (formerly, Janus Balanced Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's

expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

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

Global and International Funds

- For Janus Henderson Adaptive Global Allocation Fund (formerly, Janus Adaptive Global Allocation Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group median for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Asia Equity Fund (formerly, Janus Asia Equity Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for one share class, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to limit the Fund's expenses.
- For Janus Henderson Global Life Sciences Fund (formerly, Janus Global Life Sciences Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Real Estate Fund (formerly, Janus Global Real Estate Fund), the Trustees noted that, although the Fund's total expenses exceeded the peer group average for certain share classes, overall the Fund's total expenses were reasonable. The Trustees also noted that Janus Capital has contractually agreed to

limit the Fund's expenses, although this limit did not apply because the Fund's total expenses were already below the applicable fee limit.

- For Janus Henderson Global Research Fund (formerly, Janus Global Research Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Select Fund (formerly, Janus Global Select Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Global Technology Fund (formerly, Janus Global Technology Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.
- For Janus Henderson Overseas Fund (formerly, Janus Overseas Fund), the Trustees noted that the Fund's total expenses were below the peer group average for all share classes.

Janus Aspen Series

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

The Trustees reviewed information on the profitability to Janus Capital and its affiliates of their relationships with each Fund, as well as an explanation of the methodology utilized by Janus Capital when allocating various expenses of Janus Capital and its affiliates with respect to contractual relationships with the Funds and other clients. The Trustees also reviewed the financial statements and corporate structure of Janus Capital's parent company. In their review, the

Trustees considered whether Janus Capital and each subadviser receive adequate incentives and resources to manage the Funds effectively. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available, and the profitability of any fund manager is affected by numerous factors, including the organizational structure of the particular fund manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses, and the fund manager's capital structure and cost of capital. However, taking into account those factors and the analysis provided by the Trustees' independent fee consultant, and based on the information available, the Trustees concluded that Janus Capital's profitability with respect to each Fund in relation to the services rendered was reasonable.

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

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

Economies of Scale

The Trustees considered information about the potential for Janus Capital to realize economies of scale as the assets of the Funds increase. They noted their independent fee consultant's analysis of economies of scale in prior years. They also noted that, although many Funds pay advisory fees at a base fixed rate as a percentage of net assets, without any breakpoints, their independent fee consultant concluded that 91% of these Funds have contractual management fees (gross of waivers) below their Broadridge expense group averages and, overall, 83% of the Funds are below their respective expense group averages for contractual management fees. They also noted that for those Funds whose expenses are being reduced by the contractual expense limitations of Janus Capital, Janus Capital is subsidizing the Funds because they have not reached adequate scale. Moreover, as the assets of some of the Funds have declined in the past few years, certain Funds have benefited from having advisory fee rates that have remained constant rather than increasing as assets declined. In addition, performance fee structures have been implemented for various Funds that have caused the effective rate of advisory fees payable by such a Fund to vary depending on the investment performance of the Fund relative to its benchmark index over the measurement period; and a few Funds have fee schedules with breakpoints and reduced fee rates above certain asset levels. The Trustees also noted that the Funds share directly in economies of scale through the lower charges of third-party service providers that are based in part on the combined scale of all of the Funds. Based on all of the information they reviewed, including past research and analysis conducted by the Trustees' independent fee consultant, the Trustees concluded that the current fee structure of each Fund was reasonable and that the current rates of fees do reflect a sharing between Janus Capital and the Fund of any economies of scale that may be present at the current asset level of the Fund.

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

Other Benefits to Janus Capital

The Trustees also considered benefits that accrue to Janus Capital and its affiliates and subadvisers to the Funds from their relationships with the Funds. They recognized that two affiliates of Janus Capital separately serve the Funds as transfer agent and distributor, respectively, and the transfer agent receives compensation directly from the non-money market funds for services provided. The Trustees also considered Janus Capital's past and proposed use of commissions paid by the Funds on portfolio brokerage transactions to obtain proprietary and third-party research products and services benefiting the Fund and/or other clients of Janus Capital and/or Janus Capital, and/or a

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

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 December 31, 2017. As the investing environment changes, so could opinions. These views are unique and are not necessarily shared by fellow employees or by Janus Henderson in general.

Performance Overviews

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

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

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

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

Schedule of Investments

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

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

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

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

Statement of Assets and Liabilities

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

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

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

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

Statement of Operations

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

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

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

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

Statements of Changes in Net Assets

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

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

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

Financial Highlights

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

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

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

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

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

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

Janus Henderson VIT Research Portfolio
Shareholder Meeting (unaudited)

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

Proposals

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

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

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

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

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

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

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

	Number of Votes ($)				
Record Date Votes ($)	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
7,198,647,378.476	6,547,141,899.530	651,505,478.946	0.000	0.000	7,198,647,378.476

Percentage of Total Outstanding Votes (%)					*Percentage Voted (%)*				
Affirmative	*Against*	*Abstain*	*BNV*	*Total*	*Affirmative*	*Against*	*Abstain*	*BNV*	*Total*
80.347	7.995	0.000	0.000	88.342	90.950	9.050	0.000	0.000	100.000

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

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

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

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

Janus Henderson VIT Research Portfolio
Designation Requirements (unaudited)

For federal income tax purposes, the Portfolio designated the following for the year ended December 31, 2017:

Capital Gain Distributions	$4,936,294
Dividends Received Deduction Percentage	100%

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

The Portfolio's Statement of Additional Information includes additional information about the Trustees and officers and is available, without charge, by calling 1-877-335-2687.

The following are the Trustees and officers of the Trust, together with a brief description of their principal occupations during the last five years (principal occupations for certain Trustees may include periods over five years).

Each Trustee has served in that capacity since he or she was originally elected or appointed. The Trustees do not serve a specified term of office. Each Trustee will hold office until the termination of the Trust or his or her earlier death, resignation, retirement, incapacity, or removal. Under the Portfolio's Governance Procedures and Guidelines, the policy is for Trustees to retire no later than the end of the calendar year in which the Trustee turns 75. The Trustees review the Portfolio's Governance Procedures and Guidelines from time to time and may make changes they deem appropriate. The Portfolio's Nominating and Governance Committee will consider nominees for the position of Trustee recommended by shareholders. Shareholders may submit the name of a candidate for consideration by the Committee by submitting their recommendations to the Trust's Secretary. Each Trustee is currently a Trustee of one other registered investment company advised by Janus Capital: Janus Investment Fund. Collectively, these two registered investment companies consist of 58 series or funds.

The Trust's officers are elected annually by the Trustees for a one-year term. Certain officers also serve as officers of Janus Investment Fund. Certain officers of the Portfolio may also be officers and/or directors of Janus Capital. Except as otherwise disclosed, Portfolio officers receive no compensation from the Portfolio, except for the Portfolio's Chief Compliance Officer, as authorized by the Trustees.

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William F. McCalpin 151 Detroit Street Denver, CO 80206 DOB: 1957	Chairman Trustee	1/08-Present 6/02-Present	Managing Partner, Impact Investments, Athena Capital Advisors LLC (independent registered investment advisor) (since 2016) and Managing Director, Holos Consulting LLC (provides consulting services to foundations and other nonprofit organizations). Formerly, Chief Executive Officer, Imprint Capital (impact investment firm) (2013-2015) and Executive Vice President and Chief Operating Officer of The Rockefeller Brothers Fund (a private family foundation) (1998-2006).	63	Director of Mutual Fund Directors Forum (a non-profit organization serving independent directors of U.S. mutual funds), Chairman of the Board and Trustee of The Investment Fund for Foundations Investment Program (TIP) (consisting of 2 funds), and Director of the F.B. Heron Foundation (a private grantmaking foundation).

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Alan A. Brown 151 Detroit Street Denver, CO 80206 DOB: 1962	Trustee	1/13-Present	Executive Vice President, Institutional Markets, of Black Creek Group (private equity real estate investment management firm) (since 2012). Formerly, Executive Vice President and Co-Head, Global Private Client Group (2007-2010), Executive Vice President, Mutual Funds (2005-2007), and Chief Marketing Officer (2001-2005) of Nuveen Investments, Inc. (asset management).	63	Director of WTTW (PBS affiliate) (since 2003). Formerly, Director of MotiveQuest LLC (strategic social market research company) (2003-2016); Director of Nuveen Global Investors LLC (2007-2011); Director of Communities in Schools (2004-2010); and Director of Mutual Fund Education Alliance (until 2010).

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
William D. Cvengros 151 Detroit Street Denver, CO 80206 DOB: 1948	Trustee	1/11-Present	Managing Member and Chief Executive Officer of SJC Capital, LLC (a personal investment company and consulting firm) (since 2002). Formerly, Venture Partner for The Edgewater Funds (a middle market private equity firm) (2002-2004); Chief Executive Officer and President of PIMCO Advisors Holdings L.P. (a publicly traded investment management firm) (1994-2000); and Chief Investment Officer of Pacific Life Insurance Company (a mutual life insurance and annuity company) (1987-1994).	63	Advisory Board Member, Innovate Partners Emerging Growth and Equity Fund I (early stage venture capital fund) (since 2014) and Managing Trustee of National Retirement Partners Liquidating Trust (since 2013). Formerly, Chairman, National Retirement Partners, Inc. (formerly a network of advisors to 401(k) plans) (2005-2013); Director of Prospect Acquisition Corp. (a special purpose acquisition corporation) (2007-2009); Director of RemedyTemp, Inc. (temporary help services company) (1996-2006); and Trustee of PIMCO Funds Multi-Manager Series (1990-2000) and Pacific Life Variable Life & Annuity Trusts (1987-1994).

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Raudline Etienne 151 Detroit Street Denver, CO 80206 DOB: 1965	Trustee	6/16-Present	Founder, Daraja Capital (advisory and investment firm) (since 2016), and Senior Advisor, Albright Stonebridge Group LLC (global strategy firm) (since 2016). Formerly, Senior Vice President (2011-2015), Albright Stonebridge Group LLC; and Deputy Comptroller and Chief Investment Officer, New York State Common Retirement Fund (public pension fund) (2008-2011).	63	Director of Brightwood Capital Advisors, LLC (since 2014).

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Gary A. Poliner 151 Detroit Street Denver, CO 80206 DOB: 1953	Trustee	6/16-Present	Retired. Formerly, President (2010-2013) of Northwestern Mutual Life Insurance Company.	63	Director of MGIC Investment Corporation (private mortgage insurance) (since 2013) and West Bend Mutual Insurance Company (property/casualty insurance) (since 2013). Formerly, Trustee of Northwestern Mutual Life Insurance Company (2010-2013); Chairman and Director of Northwestern Mutual Series Fund, Inc. (2010-2012); and Director of Frank Russell Company (global asset management firm) (2008-2013).

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
James T. Rothe 151 Detroit Street Denver, CO 80206 DOB: 1943	Trustee	1/97-Present	Co-founder and Managing Director of Roaring Fork Capital SBIC, L.P. (SBA SBIC fund focusing on private investment in public equity firms), and Professor Emeritus of Business of the University of Colorado, Colorado Springs, CO (since 2004). Formerly, Professor of Business of the University of Colorado (2002-2004), and Distinguished Visiting Professor of Business (2001-2002) of Thunderbird (American Graduate School of International Management), Glendale, AZ.	63	Formerly, Director of Red Robin Gourmet Burgers, Inc. (RRGB) (2004-2014).
William D. Stewart 151 Detroit Street Denver, CO 80206 DOB: 1944	Trustee	9/93-Present	Retired. Formerly, President and founder of HPS Products and Corporate Vice President of MKS Instruments, Boulder, CO (a provider of advanced process control systems for the semiconductor industry) (1976-2012).	63	None

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Diane L. Wallace 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	6/17-Present	Retired.		Formerly, Independent Trustee, Henderson Global Funds (13 portfolios) (2015-2017); Independent Trustee, State Farm Associates' Funds Trust, State Farm Mutual Fund Trust, and State Farm Variable Product Trust (28 portfolios) 2013-2017; Chief Operating Officer, Senior Vice President-Operations, and Chief Financial Officer for Driehaus Capital Management, LLC; and Treasurer for Driehau Mutual Funds.

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

TRUSTEES

Name, Address, and Age	Positions Held with the Trust	Length of Time Served	Principal Occupations During the Past Five Years	Number of Portfolios/Funds in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Independent Trustees					
Linda S. Wolf 151 Detroit Street Denver, CO 80206 DOB: 1947	Trustee	12/05-Present	Retired. Formerly, Chairman and Chief Executive Officer of Leo Burnett (Worldwide) (advertising agency) (2001-2005).	63	Director of Chicago Community Trust (Regional Community Foundation), Chicago Council on Global Affairs, InnerWorkings (U.S. provider of print procurement solutions to corporate clients), Lurie Children's Hospital (Chicago, IL), Shirley Ryan Ability Lab and Wrapports, LLC (digital communications company). Formerly, Director of Walmart (until 2017), Director of Chicago Convention & Tourism Bureau (until 2014) and The Field Museum of Natural History (Chicago, IL) (until 2014).

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Carmel Wellso 151 Detroit Street Denver, CO 80206 DOB: 1964	Executive Vice President Janus Henderson Global Research Portfolio	12/14-Present	Vice President and Director of Research of Janus Capital and Portfolio Manager for other Janus Henderson accounts. Formerly, Research Analyst for Janus Capital (2008-2014).
Bruce L. Koepfgen 151 Detroit Street Denver, CO 80206 DOB: 1952	President and Chief Executive Officer	7/14-Present	Head of North America at Janus Henderson Investors and Janus Capital Management LLC (since 2017); Executive Vice President and Director of Janus International Holding LLC (since 2011); Executive Vice President of Janus Distributors LLC (since 2011); Vice President and Director of INTECH Investment Management LLC (since 2011); Executive Vice President and Director of Perkins Investment Management LLC (since 2011); and Executive Vice President and Director of Janus Management Holdings Corporation (since 2011). Formerly, President of Janus Capital Group Inc. and Janus Capital Management LLC (2013-2017); Executive Vice President of Janus Services LLC (2011-2015), Janus Capital Group Inc. and Janus Capital Management LLC (2011-2013); and Chief Financial Officer of Janus Capital Group Inc., Janus Capital Management LLC, Janus Distributors LLC, Janus Management Holdings Corporation, and Janus Services LLC (2011-2013).

Janus Henderson VIT Research Portfolio
Trustees and Officers (unaudited)

OFFICERS

Name, Address, and Age	Positions Held with the Trust	Term of Office* and Length of Time Served	Principal Occupations During the Past Five Years
Susan K. Wold 151 Detroit Street Denver, CO 80206 DOB: 1960	Vice President, Chief Compliance Officer, and Anti-Money Laundering Officer	9/17-Present	Senior Vice President and Head of Compliance, North America for Janus Henderson (since September 2017); Formerly, Vice President, Head of Global Corporate Compliance, and Chief Compliance Officer for Janus Capital Management LLC (May 2017-September 2017); Vice President, Compliance at Janus Capital Group Inc. and Janus Capital Management LLC (2005-2017).
Jesper Nergaard 151 Detroit Street Denver, CO 80206 DOB: 1962	Chief Financial Officer Vice President, Treasurer, and Principal Accounting Officer	3/05-Present 2/05-Present	Vice President of Janus Capital and Janus Services LLC.
Kathryn L. Santoro 151 Detroit Street Denver, CO 80206 DOB: 1974	Vice President, Chief Legal Counsel, and Secretary	12/16-Present	Vice President of Janus Capital and Janus Services LLC (since 2016). Formerly, Vice President and Associate Counsel of Curian Capital, LLC and Curian Clearing LLC (2013-2016); and General Counsel and Secretary (2011-2012) and Vice President (2009-2012) of Old Mutual Capital, Inc.

* Officers are elected at least annually by the Trustees for a one-year term and may also be elected from time to time by the Trustees for an interim period.

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.

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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Portfolios distributed by Janus Henderson Distributors

109-02-93078 02-18

December 31, 2017

Annual Report

Equity Income Portfolio

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Equity Income Portfolio

Highlights

- U.S. stocks surged in 2017 as stronger corporate earnings and steady economic growth pushed the major benchmarks to record levels.
- The Equity Income Portfolio returned 16.02% for the year and lagged the S&P 500 Index but outperformed the Russell 1000 Value Index.
- Every sector contributed to absolute returns. Compared with the S&P 500 Index, consumer staples added the most to relative performance, while information technology was the biggest detractor due to our underweight to IT, the best-performing sector. Compared with the Russell 1000 Value Index, industrials and business services contributed the most to relative returns, while utilities was the sole detractor.
- Stock valuations look stretched and other asset prices appear increasingly expensive following the past year's rally. We anticipate a bumpier ride in 2018 as geopolitical risks and higher absolute valuations are balanced by favorable economic data and corporate earnings.

The views and opinions in this report were current as of December 31, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

A recovery in corporate profits, steady economic growth overseas, and optimism about the Trump administration's plans for tax reform drove U.S. stocks higher in 2017. The S&P 500 Index and other major benchmarks surged to record levels into December as earnings rebounded after more than a year of declining profits and the U.S. economy showed signs of growing strength. The improving economic backdrop worldwide allayed concerns about rising U.S. interest rates and geopolitical tensions in a few countries. In this supportive environment, the Equity Income Portfolio posted a double-digit return for the year.

Performance Comparison

	Total Return	
Periods Ended 12/31/17	6 Months	12 Months
Equity Income Portfolio	9.96%	16.02%
Equity Income Portfolio–II	9.78	15.73
S&P 500 Index	11.42	21.83
Russell 1000 Value Index	8.61	13.66
Lipper Variable Annuity Underlying Equity Income Funds Average	8.77	15.21

The Equity Income Portfolio returned 9.96% and 16.02% for the six and 12 months ended December 31, 2017, respectively, trailing the S&P 500 Index, which returned 11.42% and 21.83%. The portfolio outperformed the Russell 1000 Value Index, its style-specific benchmark, which returned 8.61% and 13.66% over the corresponding periods. The portfolio also outperformed its peer group, the Lipper Variable Annuity Underlying Equity Income Funds Average, over both periods.

The Equity Income Portfolio's underperformance against the S&P 500 Index reflects the unusually large disparity in returns for growth and value stocks in 2017, when growth stocks returned more than twice as much as value stocks in the large-cap universe, according to Russell indexes. The strong outperformance of growth stocks hurt the Equity Income Portfolio's relative performance against the S&P 500 Index, which encompasses both growth and value stocks. Because we invest in undervalued companies with long-term appreciation prospects, it is unsurprising that the portfolio lagged the S&P 500 Index in a year when growth stocks widely outpaced value.

Effective March 1, 2018, the performance benchmark of the Equity Income Portfolio will change to the Russell 1000 Value Index from the current S&P 500 Index. We believe that the Russell 1000 Value Index is a more appropriate style-specific benchmark that better aligns with our value-focused investment style. Moreover, the Russell 1000 Value Index better captures our investment universe and provides a more accurate performance comparison when one investment style dominates another over a prolonged period. The benchmark change will not affect day-to-day management of the Equity Income Portfolio or its investment style, which remains unchanged since its inception.

Every sector contributed to the portfolio's absolute returns for the year. Compared with the S&P 500 Index, consumer staples followed by real estate stocks contributed the most to relative performance, while information technology was the biggest detractor due to our underweight to IT, the best-performing sector in the S&P 500 Index. Measured against the Russell 1000 Value Index, industrials and business services and IT stocks, respectively, contributed the most to relative returns, while utilities were the sole detractor.

Market Environment

The major U.S. stock market indexes repeatedly rose to record levels in the year's second half as earnings beat expectations and investors anticipated that corporate tax cuts would boost profits even further. Signs of a global growth pickup grew more plentiful over 2017, pointing to "the broadest synchronized upswing the world economy has experienced in the last decade," as the International Monetary Fund stated in July. The S&P 500 Index ended 2017 near a record high, joining other global stock benchmarks that finished at all-time or multiyear highs. The strong performance in the U.S. and other major markets occurred even as the Federal Reserve continued to tighten its accommodative monetary policy. The Fed raised short-term interest rates three times over the year and signaled three more increases in 2018.

Large-cap shares outperformed their smaller peers. Growth stocks widely outpaced value stocks across all market capitalizations, according to various Russell indexes. In both the S&P 500 and Russell 1000 Value Indexes, nine out of 11 sectors advanced and two fell. IT stocks performed the best in both benchmarks, driven by outsized gains in a handful of high-growth technology and Internet stocks. Materials, consumer discretionary, financials, and health care were the next-best performers. On the other hand, telecommunication services stocks retreated as wireless companies contended with slowing growth and stiffer price competition. Energy stocks also declined as low oil prices weighed on the sector in the year's first half. However, cooperation among the world's

major oil producers to curb output drove oil prices higher and helped energy stocks pare their losses by year-end.

Portfolio Review

The Equity Income Portfolio seeks to buy well-established, large-cap companies that typically have a strong record of paying dividends and appear to be undervalued by the market. The portfolio's holdings tend to be solid, higher-quality companies going through a period of underperformance, reflecting our dual focus on valuation and dividend yield. We rely on the insights of T. Rowe Price's large team of equity analysts and use an active, research-driven investment approach to select individual stocks based on their unique merits, rather than picking stocks based on broader market or economic trends.

Sector Diversification

	Percent of Net Assets 6/30/17	12/31/17
Financials	25.9%	26.4%
Health Care	11.2	11.6
Industrials and Business Services	11.9	10.3
Energy	9.4	9.7
Information Technology	8.2	8.3
Consumer Staples	6.3	7.8
Consumer Discretionary	8.1	7.6
Utilities	6.9	5.4
Materials	4.9	5.5
Telecommunication Services	2.9	3.0
Real Estate	2.1	2.1
Other and Reserves	2.2	2.3
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Stock selection was strongest in the consumer staples sector, which produced several of the portfolio's top contributors. **Tyson Foods** helped returns as the meat company reaped the rewards of its longstanding plan to focus on branded and prepared foods, which helped it report surprisingly strong earnings in 2017. We also benefited from our position in **Wal-Mart** as the retailer stepped up efforts to improve its e-commerce business. We owned Wal-Mart for its huge network of brick-and-mortar stores, which we reasoned gives it an edge over other big-box retailers and other e-commerce players as same- and next-day delivery becomes more widespread, and we are pleased to see its online initiatives start to pay off. Our consumer staples exposure rose over the past six months as we took advantage of attractive valuations in a few companies. We initiated a position in **Kimberly-Clark** and added to **Philip Morris International** on weakness after the cigarette maker delivered underwhelming earnings. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Financial Profile

As of 12/31/17	Equity Income Portfolio	S&P 500 Index
Price/Book Ratio	2.3X	4.4X
Price/Earnings Ratio (Based on next 12 months' estimated earnings)*	16.1X	19.8X
Historical Beta (Based on monthly returns for five years)	1.0	1.0

*Source for data: IBES. Statistics are based on the companies in the portfolio and are not a projection of future portfolio performance.

The industrials and business services sector added value, largely owing to our position in **Boeing**, the top contributor to returns. Boeing shares climbed to a record high in 2017 as the aerospace company benefited from productivity gains, cost cuts, and rising global air traffic growth. We continue to like Boeing but regard the company's risk/reward profile as slightly less favorable following the recent months' rally and have reduced our position accordingly. Defense industry electronics maker **Harris** was another significant contributor. Harris shares rose amid expectations for increased U.S. defense spending and lower corporate taxes resulting from the recent tax overhaul. We believe Harris has strong growth tailwinds for the next several years as the U.S. military upgrades its communication systems and the company sells more products overseas.

On the other hand, our position in industrial conglomerate **GE** weighed on returns. GE shares sank to a multiyear low by year-end as the company struggled to overhaul its sprawling operations and investors expressed skepticism about a turnaround plan unveiled by its new chief executive. For more than a year, we have gradually trimmed our GE position as we waited for evidence that would help us determine whether management would be able to fix some of the company's businesses. GE ranked among our biggest sales for the year.

Information technology stocks contributed to absolute returns. Despite our lack of exposure to several highflying tech names, we added value through our holdings in **Microsoft**, which is strongly benefiting from its ongoing push into cloud-based computing services, and in semiconductor manufacturing equipment maker **Applied Materials**.

Outlook

U.S. stocks benefited in 2017 from better-than-expected earnings, synchronized global growth, tame inflation, and a more benign regulatory environment. Most of the risks that investors feared at the outset of the year—such as a shift toward U.S. protectionism, a misstep in monetary policy by the Fed, or a geopolitical crisis—failed to materialize. The U.S. economy is in solid shape, and the underpinnings for stronger corporate profits growth are intact. The recent passage of the corporate tax reform bill should be a strong tailwind for the market over the next year. However, stock valuations look stretched and other asset prices appear increasingly expensive following the past year's rally. Widespread optimism about the U.S. economy and stock market has led to a sense of confidence among many investors who assume that the supportive conditions of the past year will persist into 2018. We believe that much of the good news is already priced into financial markets and worry that investor confidence will turn into complacency.

We would not be surprised to see the stock market grind higher in the coming months, aided by the recent tax overhaul. However, our outlook is tempered by several risks to global growth. An unexpected slowdown in China, whose economy outpaced expectations in 2017, would have negative repercussions for global financial markets. Tensions on the Korean peninsula or in the Middle East could flare up again, with potentially adverse consequences for oil prices arising from a Mideast conflict. On the economic front, stronger U.S. growth could increase inflation pressures, leading the Fed to raise interest rates at an unexpectedly fast pace that could curb stock price gains.

We anticipate a bumpier ride in 2018 as geopolitical risks and higher absolute valuation levels are balanced by positive economic data and corporate earnings. Thanks to T. Rowe Price's strengths in fundamental research and the collective insights of our equity analysts, we are well equipped to navigate what will likely be a more volatile environment and continue to identify higher-quality, undervalued companies for your portfolio. We are confident that our disciplined investment approach, thoughtful stock selection, and attention to valuation will allow us to continue delivering solid shareholder returns over the long term.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

John D. Linehan
President of the portfolio and chairman of its Investment Advisory Committee

Heather McPherson
Associate portfolio manager

January 10, 2018

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing its investment program.

Risks of Investing in the Portfolio

Value investors seek to invest in companies whose stock prices are low in relation to their real worth or future prospects. By identifying companies whose stocks are currently out of favor or misunderstood, value investors hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly. The value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced.

Glossary

Dividend yield: The annual dividend of a stock divided by the stock's price.

Earnings growth rate – current fiscal year: Measures the annualized percent change in earnings per share from the prior fiscal year to the current fiscal year.

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

Price-to-earnings (P/E) ratio – current fiscal year: A valuation measure calculated by dividing the price of a stock by its reported earnings per share from the latest fiscal year. The ratio is a measure of how much investors are willing to pay for the company's earnings. The higher the P/E, the more investors are paying for the company's current earnings.

Price-to-earnings (P/E) ratio – next fiscal year: A valuation measure calculated by dividing the price of a stock by its estimated earnings for the next fiscal year. The ratio is a measure of how much investors are willing to pay for the company's future earnings. The higher the P/E, the more investors are paying for the company's expected earnings growth in the next fiscal year.

Price-to-earnings (P/E) ratio – 12 months forward: A valuation measure calculated by dividing the price of a stock by the analysts' forecast of the next 12 months' expected earnings. The ratio is a measure of how much investors are willing to pay for the company's future earnings. The higher the P/E, the more investors are paying for the company's earnings growth in the next 12 months.

Glossary (continued)

Projected earnings growth rate (IBES): A company's expected earnings per share growth rate for a given time period based on the forecast from the Institutional Brokers' Estimate System, which is commonly referred to as IBES.

Russell 1000 Value Index: An index that tracks the performance of large-cap stocks with lower price-to-book ratios and lower forecasted growth values.

S&P 500 Index: An unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies.

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Portfolio Highlights

Twenty-Five Largest Holdings

	Percent of Net Assets 12/31/17
J.P. Morgan Chase	3.9%
Wells Fargo	2.8
ExxonMobil	2.6
Morgan Stanley	2.2
Microsoft	2.1
Verizon Communications	2.1
Johnson & Johnson	1.9
Total	1.9
DowDuPont	1.9
Qualcomm	1.8
Anthem	1.8
State Street	1.7
Twenty-First Century Fox	1.7
Harris	1.7
Southern Company	1.6
Boeing	1.6
Citigroup	1.5
Johnson Controls International	1.5
Becton, Dickinson & Company	1.5
Cisco Systems	1.4
Loews	1.4
U.S. Bancorp	1.4
Pfizer	1.4
Tyson Foods	1.4
Fifth Third Bancorp	1.3
Total	46.1%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Portfolio Highlights

Major Portfolio Changes

Listed in descending order of size.
Six Months Ended 12/31/17

LARGEST PURCHASES	LARGEST SALES
Kimberly-Clark*	Boeing
Southern Company	Royal Dutch Shell**
GlaxoSmithKline	Illinois Tool Works
American International Group*	American Express**
Brighthouse Financial*	Ameriprise Financial
TransCanada*	XCEL Energy**
Chubb	Applied Materials
Wells Fargo	Carnival**
Philip Morris International	GE
CVS Health*	Exelon

12 Months Ended 12/31/17

LARGEST PURCHASES	LARGEST SALES
Southern Company	Boeing
Kimberly-Clark*	Royal Dutch Shell**
American International Group*	American Express**
Tyson Foods*	GE
U.S. Bancorp	Bank of America
Wells Fargo	Ameriprise Financial
Chubb	AES**
TransCanada*	XCEL Energy**
Gilead Sciences	Marsh & McLennan
Becton, Dickinson & Company	Carnival**

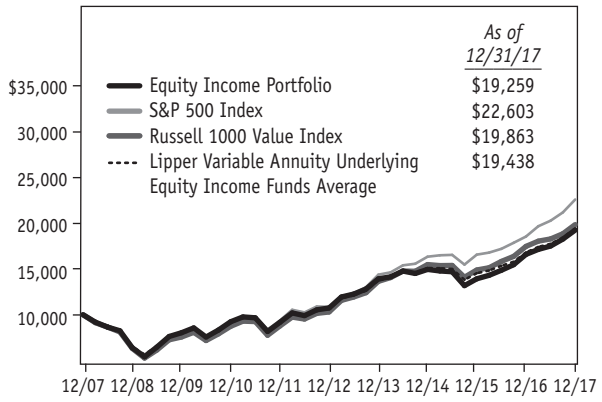
*Position added.

**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 may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Equity Income Portfolio



Note: Performance for the II Class will vary due to its differing fee structure. See the returns table below.

Average Annual Compound Total Return

Periods Ended 12/31/17	1 Year	5 Years	10 Years
Equity Income Portfolio	16.02%	12.40%	6.77%
Equity Income Portfolio–II	15.73	12.11	6.50

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Returns do not reflect taxes that the shareholder may pay on distributions or the redemption of shares. Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

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

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

Equity Income Portfolio

	Beginning Account Value 7/1/17	Ending Account Value 12/31/17	Expenses Paid During Period* 7/1/17 to 12/31/17
Equity Income Portfolio			
Actual	$1,000.00	$1,099.60	$4.50
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.92	4.33
Equity Income Portfolio–II			
Actual	1,000.00	1,097.80	5.82
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.66	5.60

*Expenses are equal to the portfolio's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Equity Income Portfolio was 0.85%, and the Equity Income Portfolio–II was 1.10%.

Financial Highlights

T. Rowe Price Equity Income Portfolio

Equity Income Class

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 28.34	$ 26.81	$ 30.02	$ 28.45	$ 22.27
Investment activities					
Net investment income[1]	0.51	0.61	0.52	0.50	0.40
Net realized and unrealized gain / loss	4.00	4.50[2]	(2.58)	1.58	6.18
Total from investment activities	4.51	5.11	(2.06)	2.08	6.58
Distributions					
Net investment income	(0.53)	(0.67)	(0.53)	(0.51)	(0.40)
Net realized gain	(3.05)	(2.91)	(0.62)	–	–
Total distributions	(3.58)	(3.58)	(1.15)	(0.51)	(0.40)
NET ASSET VALUE					
End of period	**$ 29.27**	**$ 28.34**	**$ 26.81**	**$ 30.02**	**$ 28.45**

Ratios/Supplemental Data

Total return[3]	**16.02%**	**19.17%[2]**	**(6.85)%**	**7.38%**	**29.72%**
Ratio of total expenses to average net assets	0.85%	0.85%	0.85%	0.85%	0.85%
Ratio of net investment income to average net assets	1.73%	2.17%	1.78%	1.72%	1.57%
Portfolio turnover rate	19.9%	18.5%	27.5%	11.4%	12.7%
Net assets, end of period (in millions)	$ 541	$ 551	$ 605	$ 851	$ 852

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

(2) See Note 6. Includes a voluntary payment from Price Associates, representing $0.13 per share based upon shares outstanding on the date of payment. The payment increased total return by 0.53%.

(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

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

Financial Highlights

T. Rowe Price Equity Income Portfolio

Equity Income-II Class

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 28.25	$ 26.73	$ 29.94	$ 28.38	$ 22.22
Investment activities					
Net investment income[1]	0.44	0.52	0.44	0.43	0.34
Net realized and unrealized gain / loss	3.98	4.50[2]	(2.57)	1.57	6.16
Total from investment activities	4.42	5.02	(2.13)	2.00	6.50
Distributions					
Net investment income	(0.46)	(0.59)	(0.46)	(0.44)	(0.34)
Net realized gain	(3.05)	(2.91)	(0.62)	–	–
Total distributions	(3.51)	(3.50)	(1.08)	(0.44)	(0.34)
NET ASSET VALUE					
End of period	**$ 29.16**	**$ 28.25**	**$ 26.73**	**$ 29.94**	**$ 28.38**
Ratios/Supplemental Data					
Total return[3]	**15.73%**	**18.85%[2]**	**(7.10)%**	**7.10%**	**29.41%**
Ratio of total expenses to average net assets	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment income to average net assets	1.48%	1.89%	1.51%	1.47%	1.32%
Portfolio turnover rate	19.9%	18.5%	27.5%	11.4%	12.7%
Net assets, end of period (in thousands)	$ 208,017	$ 205,562	$ 270,238	$ 406,097	$ 392,357

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

(2) See Note 6. Includes a voluntary payment from Price Associates, representing $0.13 per share based upon shares outstanding on the date of payment. The payment increased total return by 0.51%.

(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

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

Portfolio of Investments‡

T. Rowe Price Equity Income Portfolio
December 31, 2017

(Cost and value in $000s)	Shares/Par	$ Value
COMMON STOCKS 96.2%		
Consumer Discretionary 7.6%		
Auto Components 0.7%		
Adient	62,320	4,905
		4,905
Automobiles 0.2%		
Ford Motor	151,200	1,888
		1,888
Hotels, Restaurants & Leisure 1.0%		
Las Vegas Sands	102,918	7,152
		7,152
Leisure Products 0.5%		
Mattel	240,700	3,702
		3,702
Media 4.1%		
Comcast, Class A	221,472	8,870
News Corp, Class A	397,700	6,447
Twenty-First Century Fox	372,000	12,692
Walt Disney	23,000	2,473
		30,482
Multiline Retail 0.9%		
Kohl's	106,500	5,775
Macy's	44,100	1,111
		6,886
Specialty Retail 0.2%		
L Brands	31,200	1,879
		1,879
Total Consumer Discretionary		**56,894**
Consumer Staples 7.8%		
Beverages 1.3%		
Diageo (GBP)	49,690	1,821
PepsiCo	63,100	7,567
		9,388
Food & Staples Retailing 1.5%		
CVS Health	31,863	2,310
Wal-Mart	90,800	8,967
		11,277
Food Products 2.6%		
Archer-Daniels-Midland	151,100	6,056
Kellogg	46,000	3,127
Tyson Foods, Class A	126,100	10,223
		19,406
Household Products 1.1%		
Kimberly-Clark	70,700	8,531
		8,531
Personal Products 0.4%		
Coty, Class A	156,670	3,116
		3,116
Tobacco 0.9%		
Philip Morris International	64,100	6,772
		6,772
Total Consumer Staples		**58,490**
Energy 9.7%		
Oil, Gas & Consumable Fuels 9.7%		
Apache	147,940	6,246
Canadian Natural Resources	20,800	743
Chevron	69,852	8,745
EQT	15,910	905
ExxonMobil	234,622	19,624
Hess	159,200	7,557
Occidental Petroleum	123,500	9,097
Total (EUR)	260,630	14,387
Total, Rights, 1/3/18 (EUR)(1)	260,630	—
TransCanada	105,200	5,117
Total Energy		**72,421**

(Cost and value in $000s)	Shares/Par	$ Value
Financials 26.4%		
Banks 13.0%		
Bank of America	49,075	1,449
Citigroup	154,200	11,474
Fifth Third Bancorp	330,600	10,030
JPMorgan Chase	270,841	28,964
KeyCorp	302,700	6,106
PNC Financial Services Group	50,900	7,344
U.S. Bancorp	195,900	10,496
Wells Fargo	351,220	21,309
		97,172
Capital Markets 6.6%		
Ameriprise Financial	40,200	6,813
Bank of New York Mellon	116,300	6,264
Franklin Resources	44,900	1,945
Morgan Stanley	312,200	16,381
Northern Trust	51,900	5,184
State Street	131,500	12,836
		49,423
Insurance 6.8%		
American International Group	147,000	8,758
Brighthouse Financial (1)	92,890	5,447
Chubb	53,250	7,782
Loews	215,100	10,762
Marsh & McLennan	48,400	3,939
MetLife	179,200	9,060
Willis Towers Watson	16,530	2,491
XL Group	86,500	3,041
		51,280
Total Financials		**197,875**
Health Care 10.9%		
Biotechnology 1.1%		
Gilead Sciences	113,600	8,138
		8,138

(Cost and value in $000s)	Shares/Par	$ Value
Health Care Equipment & Supplies 1.9%		
Becton, Dickinson & Company	26,700	5,715
Medtronic	108,211	8,738
		14,453
Health Care Providers & Services 1.8%		
Anthem	60,200	13,546
		13,546
Pharmaceuticals 6.1%		
Bristol-Myers Squibb	101,900	6,244
GlaxoSmithKline (GBP)	240,928	4,267
GlaxoSmithKline, ADR	83,100	2,948
Johnson & Johnson	103,400	14,447
Merck	127,500	7,174
Pfizer	283,514	10,269
		45,349
Total Health Care		**81,486**
Industrials & Business Services 10.3%		
Aerospace & Defense 3.4%		
Boeing	40,500	11,944
Harris	87,850	12,444
United Technologies	8,400	1,071
		25,459
Air Freight & Logistics 1.2%		
UPS, Class B	76,100	9,067
		9,067
Airlines 0.9%		
Delta Air Lines	56,900	3,187
Southwest Airlines	48,100	3,148
		6,335
Building Products 1.5%		
Johnson Controls International	297,506	11,338
		11,338
Commercial Services & Supplies 0.2%		
Stericycle (1)	25,302	1,720
		1,720

(Cost and value in $000s)	Shares/Par	$ Value
Electrical Equipment 0.9%		
Emerson Electric	101,500	7,074
		7,074
Industrial Conglomerates 0.5%		
GE	205,600	3,588
		3,588
Machinery 1.7%		
Flowserve	88,831	3,743
Illinois Tool Works	27,500	4,588
Pentair	58,300	4,117
		12,448
Total Industrials & Business Services		**77,029**
Information Technology 8.3%		
Communications Equipment 1.4%		
Cisco Systems	282,900	10,835
		10,835
Electronic Equipment, Instruments & Components 0.4%		
TE Connectivity	35,000	3,326
		3,326
Semiconductors & Semiconductor Equipment 3.5%		
Analog Devices	22,600	2,012
Applied Materials	111,600	5,705
Qualcomm	212,400	13,598
Texas Instruments	45,700	4,773
		26,088
Software 2.3%		
CA	39,700	1,321
Microsoft	185,800	15,894
		17,215
Technology Hardware, Storage & Peripherals 0.7%		
Apple	7,700	1,303
Hewlett-Packard Enterprise	120,100	1,725
Western Digital	24,300	1,932
		4,960
Total Information Technology		**62,424**

(Cost and value in $000s)	Shares/Par	$ Value
Materials 5.5%		
Chemicals 3.2%		
Akzo Nobel (EUR)	16,585	1,455
CF Industries	193,900	8,249
DowDuPont	196,469	13,993
		23,697
Construction Materials 0.7%		
Vulcan Materials	42,200	5,417
		5,417
Containers & Packaging 1.0%		
International Paper	123,753	7,170
		7,170
Metals & Mining 0.6%		
Nucor	74,600	4,743
		4,743
Total Materials		**41,027**
Real Estate 2.1%		
Equity Real Estate Investment Trusts 2.1%		
Equity Residential, REIT	69,000	4,400
Rayonier, REIT	199,361	6,306
Weyerhaeuser, REIT	139,106	4,905
Total Real Estate		**15,611**
Telecommunication Services 3.0%		
Diversified Telecommunication Services 2.8%		
CenturyLink	124,507	2,077
Telefonica (EUR)	386,779	3,766
Verizon Communications	290,370	15,369
		21,212
Wireless Telecommunication Services 0.2%		
Vodafone (GBP)	323,854	1,024
		1,024
Total Telecommunication Services		**22,236**

(Cost and value in $000s)	Shares/Par	$ Value
Utilities 4.5%		
Electric Utilities 3.5%		
Edison International	86,230	5,453
Exelon	72,155	2,844
PG&E	94,025	4,215
Southern Company	251,700	12,104
Westar Energy	36,200	1,912
		26,528
Multi-Utilities 1.0%		
NiSource	283,600	7,280
		7,280
Total Utilities		**33,808**
Total Miscellaneous Common Stocks 0.1% (3)		**646**
Total Common Stocks (Cost $488,835)		**719,947**
CONVERTIBLE PREFERRED STOCKS 1.6%		
Health Care 0.7%		
Health Care Equipment & Supplies 0.7%		
Becton, Dickinson & Company, Class A 6.125%, 5/1/20	91,525	5,277
Total Health Care		**5,277**
Utilities 0.9%		
Electric Utilities 0.7%		
NextEra Energy 6.123%, 8/2/19	100,507	5,725
		5,725
Multi-Utilities 0.2%		
DTE Energy 6.50%, 10/1/19	23,048	1,256
		1,256
Total Utilities		**6,981**
Total Convertible Preferred Stocks (Cost $10,640)		**12,258**

(Cost and value in $000s)	Shares/Par	$ Value
CORPORATE BONDS 0.5%		
Mattel 6.75%, 12/31/25 (2)	2,238,000	2,266
Western Digital 10.50%, 4/1/24	1,200,000	1,390
Total Corporate Bonds (Cost $3,434)		**3,656**
SHORT-TERM INVESTMENTS 1.7%		
Money Market Funds 1.7%		
T. Rowe Price Government Reserve Fund, 1.25% (4)(5)	12,911,592	12,912
Total Short-Term Investments (Cost $12,912)		**12,912**
Total Investments in Securities		
100.0% of Net Assets (Cost $515,821)		**$ 748,773**

‡ Shares/Par are denominated in U.S. dollars unless otherwise noted.
(1) Non-income producing
(2) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to $2,266 and represents 0.3% of net assets.
(3) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.
(4) Seven-day yield
(5) Affiliated Company
ADR American Depositary Receipts
EUR Euro
GBP British Pound
REIT A domestic Real Estate Investment Trust whose distributions pass-through with original tax character to the shareholder

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the year ended December 31, 2017. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	$ —	$ —	$ 107
Totals	$ —#	$ —	$ 107+

Supplementary Investment Schedule

Affiliate	Value 12/31/16	Purchase Cost	Sales Cost	Value 12/31/17
T. Rowe Price Government Reserve Fund	$ 15,700	¤	¤	$ 12,912
				$ 12,912^

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

+ Investment income comprised $107 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 $12,912.

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

Statement of Assets and Liabilities

T. Rowe Price Equity Income Portfolio
December 31, 2017
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $515,821)	$	748,773
Dividends and interest receivable		1,398
Receivable for investment securities sold		700
Receivable for shares sold		332
Other assets		67
Total assets		751,270
Liabilities		
Investment management and administrative fees payable		631
Payable for shares redeemed		402
Payable for investment securities purchased		324
Payable to Price Associates (Note 6)		1,281
Total liabilities		2,638
NET ASSETS	**$**	**748,632**
Net Assets Consist of:		
Accumulated undistributed net realized gain	$	12,140
Net unrealized gain		231,680
Paid-in capital applicable to 25,606,030 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		504,812
NET ASSETS	**$**	**748,632**
NET ASSET VALUE PER SHARE		
Equity Income Class ($540,614,868 / 18,472,586 shares outstanding)	**$**	**29.27**
Equity Income - II Class ($208,017,486 / 7,133,444 shares outstanding)	**$**	**29.16**

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

Statement of Operations

T. Rowe Price Equity Income Portfolio
($000s)

	Year Ended 12/31/17
Investment Income (Loss)	
Income	
Dividend	$ 18,827
Interest	69
Total income	18,896
Expenses	
Investment management and administrative expense	6,231
Rule 12b-1 fees - Equity Income-II Class	489
Total expenses	6,720
Net investment income	12,176
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	78,721
Futures	63
Foreign currency transactions	10
Net realized gain	78,794
Change in net unrealized gain / loss	
Securities	18,585
Payable to Price Associates (Note 6)	(1,281)
Other assets and liabilities denominated in foreign currencies	10
Change in net unrealized gain / loss	17,314
Net realized and unrealized gain / loss	96,108
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 108,284**

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

Statement of Changes in Net Assets

T. Rowe Price Equity Income Portfolio

($000s)

	Year Ended 12/31/17	12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 12,176	$ 16,138
Net realized gain	78,794	56,074
Change in net unrealized gain / loss	17,314	58,845
Increase in net assets from operations	108,284	131,057
Distributions to shareholders		
Net investment income		
Equity Income Class	(9,194)	(12,534)
Equity Income-II Class	(2,982)	(4,175)
Net realized gain		
Equity Income Class	(50,905)	(51,293)
Equity Income-II Class	(19,610)	(19,297)
Decrease in net assets from distributions	(82,691)	(87,299)
Capital share transactions*		
Shares sold		
Equity Income Class	26,733	48,411
Equity Income-II Class	27,922	41,309
Distributions reinvested		
Equity Income Class	60,099	63,828
Equity Income-II Class	22,592	23,473
Shares redeemed		
Equity Income Class	(116,612)	(198,210)
Equity Income-II Class	(54,243)	(140,883)
Decrease in net assets from capital share transactions	(33,509)	(162,072)
Net Assets		
Decrease during period	(7,916)	(118,314)
Beginning of period	756,548	874,862
End of period	**$ 748,632**	**$ 756,548**
Undistributed net investment income	–	–
*Share information		
Shares sold		
Equity Income Class	902	1,710
Equity Income-II Class	943	1,481
Distributions reinvested		
Equity Income Class	2,047	2,242
Equity Income-II Class	772	826
Shares redeemed		
Equity Income Class	(3,920)	(7,061)
Equity Income-II Class	(1,858)	(5,142)
Decrease in shares outstanding	(1,114)	(5,944)

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

T. Rowe Price Equity Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Equity Income Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks a high level of dividend income and long-term capital growth primarily through investments in stocks. The fund has two classes of shares: the Equity Income Portfolio (Equity Income Portfolio Class) and the Equity Income Portfolio–II (Equity Income Portfolio-II Class). Equity Income Portfolio–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Distributions from REITs are initially recorded as dividend income and, to the extent such represent a return of capital or capital gain for tax purposes, are reclassified when such information becomes available. Income distributions are declared and paid by each class quarterly. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting Investment income, investment management and administrative expense, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class. Equity Income–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

Rebates Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled $4,000 for the year ended December 31, 2017.

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.

On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had 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. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Generally, debt securities are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair

value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on December 31, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ 12,912	$ –	$ –	$ 12,912
Common Stocks	693,227	26,720	–	719,947
Convertible Preferred Stocks	–	12,258	–	12,258
Corporate Bonds	–	3,656	–	3,656
Total	$ 706,139	$ 42,634	$ –	$ 748,773

There were no material transfers between Levels 1 and 2 during the year ended December 31, 2017.

NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended December 31, 2017, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. As of December 31, 2017, the fund held no derivative instruments.

Additionally, during the year ended December 31, 2017, the fund recognized $63,000 of gain on equity derivatives, included in realized gain(loss) on Futures on the accompanying Statement of Operations.

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 year ended December 31, 2017, 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 $142,919,000 and $244,635,000, respectively, for the year ended December 31, 2017.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Distributions during the years ended December 31, 2017 and December 31, 2016, were characterized for tax purposes as follows:

($000s)	December 31	
	2017	2016
Ordinary income	$ 14,488	$ 20,833
Long-term capital gain	68,203	66,466
Total distributions	$ 82,691	$ 87,299

At December 31, 2017, the tax-basis cost of investments, including derivatives, and components of net assets were as follows:

($000s)		
Cost of investments	$	519,515
Unrealized appreciation	$	245,113
Unrealized depreciation		(17,127)
Net unrealized appreciation (depreciation)		227,986
Undistributed ordinary income		925
Undistributed long-term capital gain		14,909
Paid-in capital		504,812
Net assets	$	748,632

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales for tax purposes.

NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.85% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest 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 year ended December 31, 2017, the aggregate value of purchases and sales cross trades with other funds or accounts advised by Price Associates was less than 1% of the fund's net assets as of December 31, 2017.

On June 6, 2016, Price Associates offered, and the fund's Board of Directors accepted, a voluntary payment to compensate the fund for a loss of value on its investment in Dell as a result of the fund's ineligibility to pursue an appraisal action in Delaware court of Chancery due to a proxy voting error in 2013. The amount paid by Price Associates remains subject to further increase or decrease in the event of a court-determined change in the fair valuation of Dell shares on appeal, or payment received by the fund from any other source to compensate for the loss of value on its Dell shares. On December 14, 2017, the Delaware Supreme Court reversed the Court of Chancery's enhanced valuation of Dell shares (appraisal value) and remanded the case to the Court of Chancery for further proceedings. While the ultimate outcome of the proceedings is uncertain, based on the language in the Delaware Supreme Court's opinion, Price Associates believes it probable that the fair valuation of Dell shares will ultimately be reduced below the appraisal value. Accordingly, the fund has recorded a liability

reflecting a contingent repayment to Price Associates (repayment) based on an estimated reduction of the fair valuation of Dell shares. The impact of recording this liability on the fund's results from operation is reflected separately under change in net unrealized gain/loss in the accompanying financial statements. The fund's liability may be increased by an amount up to the full amount initially paid by Price Associates $3,601,000, or decreased as additional information becomes available in the future; however no repayment will be made unless or until there is a final, non-appealable judgment in the appraisal action, or payment is received by the fund from any other source to compensate for the loss of value on its Dell shares.

NOTE 7 - LITIGATION

The fund is a named defendant or in a class of defendants in a lawsuit that the Unsecured Creditors Committee (the Committee) of the Tribune Company has filed in Delaware bankruptcy court. The Committee is seeking to recover all payments made to beneficial owners of common stock in connection with a leveraged buyout (LBO) of Tribune, including those made in connection with a 2007 tender offer in which the fund participated. A motion to dismiss was filed in this case and the district court granted the motion on January 9, 2017. The fund was named, also, as a defendant or included in a class of defendants in parallel litigation, which was dismissed by district court and affirmed on appeal by the Second Circuit Court of Appeals. This second action asserted state law constructive fraudulent transfer claims in an attempt to recover stock redemption payments made to shareholders at the time of the LBO. The plaintiffs in this second action filed a petition for a writ of certiorari with the U.S. Supreme Court. The U.S. Supreme Court removed the petition from its December 9, 2016 calendar and the matter has not yet been rescheduled. The complaints allege no misconduct by the fund, and management has vigorously defended the lawsuits. The value of the proceeds received by the fund is $25,684,000 (3.43% of net assets), and the fund will incur legal expenses. Management is currently assessing the case and has not yet determined the effect, if any, on the fund's net assets and results of operations.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price Equity Series, Inc. and Shareholders of T. Rowe Price Equity Income Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price Equity Income Portfolio (one of the portfolios constituting T. Rowe Price Equity Series, Inc., hereafter referred to as the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodians, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 7, 2018

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

Tax Information (Unaudited) for the Tax Year Ended 12/31/17

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included:

- $2,312,000 from short-term capital gains.
- $68,202,000 from long-term capital gains, subject to a long-term capital gains tax rate of not greater than 20%.

For taxable non-corporate shareholders, $15,052,000 of the fund's income represents qualified dividend income subject to a long-term capital gains tax rate of not greater than 20%.

For corporate shareholders, $15,052,000 of the fund's income qualifies for the dividends-received deduction.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

About the Portfolio's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Bruce W. Duncan (1951) 2013 [191]	Chief Executive Officer and Director (2009 to December 2016), Chairman of the Board (January 2016 to present), and President (2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2012 [191]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present)
Paul F. McBride (1956) 2013 [191]	Advisory Board Member, Vizzia Technologies (2015 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [191]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program (2011 to 2015) and Board Member (2015 to present), National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession (2012 to present); Vice President (2015 to present), American Economic Association
John G. Schreiber (1946) 2001 [191]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder, Partner, and Cochairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016)
Mark R. Tercek (1957) 2009 [191]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [191]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds
Robert W. Sharps, CFA, CPA** (1971) 2017 [135]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; President, Equity Series

*Each inside director serves until retirement, resignation, or election of a successor.

**Effective April 1, 2017, Brian C. Rogers was replaced by Robert W. Sharps as an inside director of certain Price Funds.

Officers

Name (Year of Birth) Position Held With Equity Series	Principal Occupation(s)
Ziad Bakri, M.D., CFA (1980) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Brian W.H. Berghuis, CFA (1958) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John D. Linehan, CFA (1965) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Vice President and Secretary, T. Rowe Price and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore
Larry J. Puglia, CFA, CPA (1960) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With Equity Series	Principal Occupation(s)
Charles M. Shriver, CFA (1967) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Ken D. Uematsu, CFA (1969) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John F. Wakeman (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
Justin P. White (1981) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

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T.RowePrice®
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

201802-366088

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December 31, 2017

Annual Report

Government Money Portfolio

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Government Money Portfolio

Highlights

- Money market yields increased in 2017. The Federal Reserve raised short-term interest rates in March, June, and December, lifting the federal funds target rate to the 1.25%–1.50% range at the end of the year.
- The Government Money Portfolio outperformed its new benchmark, the Lipper U.S. Government Money Market Funds Average, in the second half of our fiscal year and for the full year.
- With rising rates and increased T-bill supply expected in 2018, we have shortened our weighted average maturity somewhat, targeting an average of between 30 and 40 days.
- We expect the Fed to continue its cautious, methodical approach to raising rates in 2018. The central bank currently projects that it will raise rates three times in 2018.

The views and opinions in this report were current as of December 31, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

Money market yields increased in 2017. Citing the strengthening labor market and expectations that inflation would move higher over the medium term, the Federal Reserve raised short-term interest rates in March, June, and December, lifting the federal funds target rate to the 1.25%–1.50% range at the end of the year. With the Fed also beginning the important process of slowly unwinding its $4.5 trillion balance sheet in October—a legacy of its massive purchases of Treasury bonds and mortgage-backed securities in the aftermath of the 2008 financial crisis—we seem to be firmly past the long period of near-zero returns for money market investors.

Performance Comparison

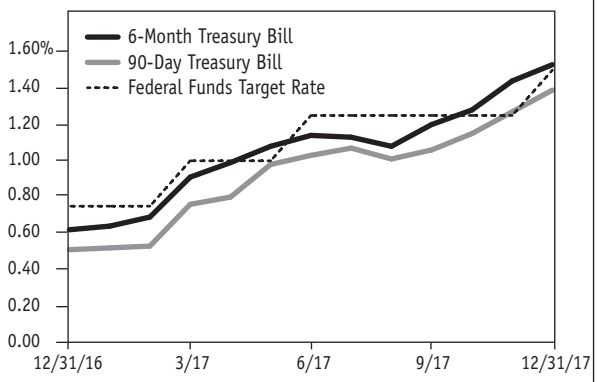
Periods Ended 12/31/17	Total Return 6 Months	12 Months
Government Money Portfolio	0.26%	0.34%
Lipper U.S. Government Money Market Funds Average	0.23	0.32

The portfolio returned 0.26% in the second half of our fiscal year and 0.34% for the full year. As shown in the Performance Comparison table, the portfolio outperformed its new benchmark, the Lipper U.S. Government Money Market Funds Average, in both periods. Now that this variable annuity portfolio is a government money fund under the SEC's new money fund rules, we believe that this new benchmark is more appropriate than the old one, the Lipper Variable Annuity Underlying Money Market Funds Average.

Economy and Interest Rates

U.S. gross domestic product increased at annualized rates of 3.1% and 3.2% in the second and third quarters, respectively, rebounding from a weak first quarter. The U.S. labor market has been healthy, with the national unemployment rate reaching a 17-year low of 4.1% in the fourth quarter. Inflation data showed some signs of normalizing after very weak readings earlier in 2017.

Interest Rate Levels



Sources: Federal Reserve Board and J.P. Morgan.

Portfolio Review

The continued strong demand for Treasuries and other U.S. government obligations drove prices higher (and yields lower) for these securities relative to other asset classes, but absolute yield levels did rise. Three-month Treasury bill yields increased from 1.03% at the end of June 2017 to 1.39% at the end of December, while six-month T-bill yields increased from 1.14% to 1.53%. Yields on one-year Treasury bills moved from 1.24% to 1.76% over the same period.

The overwhelming demand for these high-quality investments kept the short-maturity end of the Treasury yield curve very flat over the summer. However, the improving economic picture led to a steepening money market curve, as longer-maturity money market yields have increased more than shorter-maturity yields.

Portfolio Characteristics

Periods Ended	6/30/17	12/31/17
Price Per Share	$1.00	$1.00
Dividends Per Share		
6 Months	0.001	0.003
12 Months	0.001	0.003
SEC Yield (7-day simple)*	0.38%	0.68%
Weighted Average Maturity (days)	37	36
Weighted Average Life (days)	38	36

Note: The portfolio's yield more closely reflects its current earnings than does the total return.

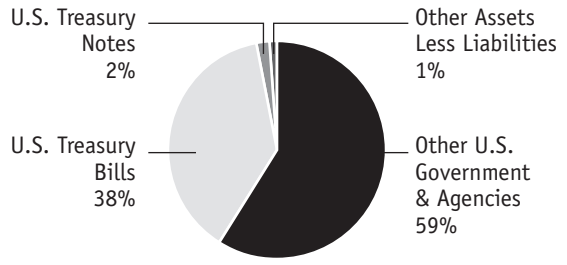
12-month dividends may not equal the combined 6-month figures due to rounding.

The SEC yield calculation annualizes the portfolio's net investment income for the last 7 days of each period and divides that by the portfolio's net asset value at the end of the period.

*In an effort to maintain a zero or positive net yield for the portfolio, T. Rowe Price may voluntarily waive all or a portion of the management fee it is entitled to receive from the portfolio. This voluntary waiver would be in addition to any contractual expense ratio limitation in effect for the portfolio and may be amended or terminated at any time without prior notice. This fee waiver would have the effect of increasing the fund's 7-day yield. Please see the prospectus for more details.

As a government money fund, the portfolio is required to invest almost exclusively in T-bills and other U.S. government securities. Of course, the fund 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 December, approximately 40% of fund assets were invested in Treasury bills and notes, while other U.S. government and agency securities represented about 59%.

Security Diversification



Based on net assets as of 12/31/17.

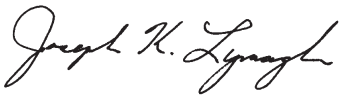
Outlook

Since the Fed began raising rates at the end of 2015, its actions have been well telegraphed, and the financial markets have taken its moves in stride. We expect this cautious, methodical approach to persist into 2018. The central bank currently projects that it will raise rates three times in 2018.

With this forecast for rising rates and with expectations of increased T-bill supply in 2018, we have shortened our weighted average maturity somewhat, targeting an average of between 30 and 40 days. As always, the portfolio strives to maintain a high degree of liquidity, and our focus remains on principal stability and high-quality investments.

Thank you for investing with T. Rowe Price.

Respectfully submitted,



Joseph K. Lynagh
Chairman of the portfolio's Investment Advisory Committee

January 19, 2018

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the portfolio's investment program.

Risks of Investing in Government Money Market Funds

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Glossary

Federal funds target rate: The interest rate charged on overnight loans of reserves by one financial institution to another in the United States. The Federal Reserve sets a target federal funds rate to affect the direction of interest rates.

Gross domestic product: The total market value of all goods and services produced in a country in a given year.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

SEC yield (7-day simple): A method of calculating a money fund's yield by annualizing the fund's net investment income for the last seven days of each period divided by the fund's net asset value at the end of the period. Yield will vary and is not guaranteed.

Weighted average life: A measure of a fund's credit quality risk. In general, the longer the average life, the greater the fund's credit-quality risk. The average life is the dollar-weighted average maturity of a portfolio's individual securities without taking into account interest rate readjustment dates. Money funds must maintain a weighted average life of less than 120 days.

Weighted average maturity: A measure of a fund's interest rate sensitivity. In general, the longer the average maturity, the greater the fund's sensitivity to interest rate changes. The weighted average maturity may take into account the interest rate readjustment dates for certain securities. Money funds must maintain a weighted average maturity of less than 60 days.

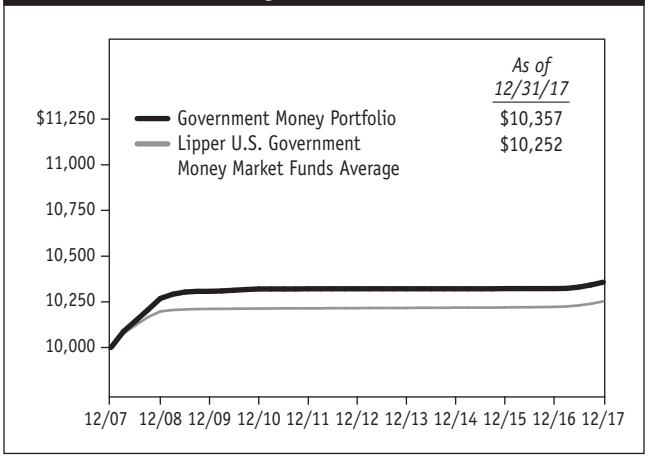
Glossary (continued)

Yield curve: A graphic depiction of the relationship between yields and maturity dates for a set of similar securities. A security with a longer maturity usually has a higher yield. If a short-term security offers a higher yield, then the curve is said to be "inverted." If short- and long-term bonds are offering equivalent yields, then the curve is said to be "flat."

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Government Money Portfolio



Average Annual Compound Total Return

Periods Ended 12/31/17	1 Year	5 Years	10 Years
Government Money Portfolio	0.34%	0.07%	0.35%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Investment return will vary. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include reinvested dividends. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Government Money Portfolio

	Beginning Account Value 7/1/17	Ending Account Value 12/31/17	Expenses Paid During Period* 7/1/17 to 12/31/17
Actual	$1,000.00	$1,002.60	$2.78
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.43	2.80

*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 (184), and divided by the days in the year (365) to reflect the half-year period.

Financial Highlights

T. Rowe Price Government Money Portfolio

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Investment activities					
Net investment income[1]	_[2][3]	_[2]	_[2]	_[2]	_[2]
Net realized and unrealized gain/loss	_[3]	_[3]	_[3]	_[3]	_[3]
Total from investment activities	_[3]	_[3]	_[3]	_[3]	_[3]
Distributions					
Net investment income	_[3]	_	_	_	_
Net realized gain	_	_	_[3]	_	_[3]
Total distributions	_[3]	_	_[3]	_	_[3]
NET ASSET VALUE					
End of period	**$ 1.00**	**$ 1.00**	**$ 1.00**	**$ 1.00**	**$ 1.00**
Ratios/Supplemental Data					
Total return[4]	**0.34%[2]**	**0.00%[2]**	**0.01%[2]**	**0.00%[2]**	**0.00%[2]**
Ratio of total expenses to average net assets	0.55%[2]	0.40%[2]	0.23%[2]	0.17%[2]	0.21%[2]
Ratio of net investment income to average net assets	0.38%[2]	0.00%[2]	0.00%[2]	0.00%[2]	0.00%[2]
Net assets, end of period (in thousands)	$ 33,318	$ 18,880	$ 17,379	$ 17,905	$ 19,992

(1) Per share amounts calculated using average shares outstanding method.

(2) See Note 4. Includes the effect of voluntary management fee waivers and operating expense reimbursements of 0.00%, 0.15%, 0.32%, 0.38% and 0.34% of average net assets for the years ended 12/31/17, 12/31/16, 12/31/15, 12/31/14 and 12/31/13, respectively.

(3) Amounts round to less than $0.01 per share.

(4) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

The accompanying notes are an integral part of these financial statements.

Portfolio of Investments‡

T. Rowe Price Government Money Portfolio
December 31, 2017

(Amounts in 000s)	Par	$ Value
U.S. GOVERNMENT AGENCY OBLIGATIONS 59.3% (1)		
Federal Farm Credit Bank 1.13%, 1/18/18	400	400
Federal Home Loan Bank 1.11%, 1/4/18	1,000	1,000
Federal Home Loan Bank 1.125%, 1/24/18	250	250
Federal Home Loan Bank 1.168%, 1/5/18	1,600	1,600
Federal Home Loan Bank 1.17%, 1/31/18	200	200
Federal Home Loan Bank 1.185%, 1/26/18	682	681
Federal Home Loan Bank 1.20%, 1/3/18	1,170	1,170
Federal Home Loan Bank 1.205%, 2/5/18	400	400
Federal Home Loan Bank 1.258%, 2/14/18	250	250
Federal Home Loan Bank 1.265%, 1/2/18	400	400
Federal Home Loan Bank 1.265%, 1/10/18	1,318	1,318
Federal Home Loan Bank 1.27%, 1/12/18	600	600
Federal Home Loan Bank 1.27%, 1/11/18	1,100	1,099
Federal Home Loan Bank 1.277%, 1/9/18	3,200	3,199
Federal Home Loan Bank 1.28%, 1/23/18	500	499
Federal Home Loan Bank 1.29%, 1/19/18	1,000	999
Federal Home Loan Bank 1.29%, 2/2/18	1,000	999
Federal Home Loan Bank 1.299%, 2/23/18	250	249
Federal Home Loan Mortgage 1.08%, 2/5/18	250	250
Federal Home Loan Mortgage 1.08%, 2/6/18	200	200
Federal Home Loan Mortgage 1.085%, 1/9/18	260	260
Federal Home Loan Mortgage 1.11%, 2/20/18	250	250
Federal Home Loan Mortgage 1.18%, 3/14/18	250	249
Federal Home Loan Mortgage 1.195%, 2/21/18	312	311
Federal Home Loan Mortgage 1.20%, 1/2/18	1,952	1,952
Federal Home Loan Mortgage 1.28%, 4/4/18	250	249
Federal National Mortgage Assn., 1.13%, 1/3/18	508	508
Federal National Mortgage Assn., 1.28%, 1/12/18	200	200
Total U.S. Government Agency Obligations (Cost $19,742)		**19,742**
U.S. TREASURY DEBT 40.2%		
U.S. Treasury Bills 1.051%, 1/2/18	600	600
U.S. Treasury Bills 1.051%, 2/8/18	250	250
U.S. Treasury Bills 1.095%, 1/11/18	550	550
U.S. Treasury Bills 1.103%, 1/4/18	1,118	1,118
U.S. Treasury Bills 1.103%, 1/18/18	1,250	1,249
U.S. Treasury Bills 1.108%, 2/22/18	200	200
U.S. Treasury Bills 1.109%, 1/25/18	825	825
U.S. Treasury Bills 1.116%, 2/1/18	700	700
U.S. Treasury Bills 1.145%, 3/15/18	175	175
U.S. Treasury Bills 1.186%, 4/5/18	470	468
U.S. Treasury Bills 1.221%, 4/12/18	350	348
U.S. Treasury Bills 1.24%, 2/15/18	250	250
U.S. Treasury Bills 1.24%, 4/19/18	250	249
U.S. Treasury Bills 1.246%, 4/26/18	347	345
U.S. Treasury Bills 1.261%, 5/3/18	675	672
U.S. Treasury Bills 1.293%, 3/8/18	1,000	998
U.S. Treasury Bills 1.299%, 5/10/18	450	448
U.S. Treasury Bills 1.301%, 3/29/18	917	913

(Amounts in 000s)	Par	$ Value
U.S. Treasury Bills 1.345%, 3/22/18	1,000	997
U.S. Treasury Bills 1.36%, 5/17/18	500	497
U.S. Treasury Bills 1.416%, 5/24/18	600	597
U.S. Treasury Bills 1.435%, 5/31/18	250	248
U.S. Treasury Notes 2.75%, 2/28/18	700	702
Total U.S. Treasury Debt (Cost $13,399)		**13,399**

(Amounts in 000s)	$ Value
Total Investments in Securities	
99.5% of Net Assets (Cost $33,141)	**$ 33,141**

‡ Par is denominated in U.S. dollars unless otherwise noted.

(1) Issuer operates under a Congressional charter; its securities are neither issued nor guaranteed by the U.S. government. The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation currently operate under a federal conservatorship.

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

T. Rowe Price Government Money Portfolio
December 31, 2017
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $33,141)	$	33,141
Receivable for shares sold		205
Interest receivable		6
Cash		1
Other assets		1
Total assets		33,354
Liabilities		
Payable for shares redeemed		24
Investment management and administrative fees payable		12
Total liabilities		36
NET ASSETS	**$**	**33,318**
Net Assets Consist of:		
Paid-in capital applicable to 33,300,032 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		33,318
NET ASSETS	**$**	**33,318**
NET ASSET VALUE PER SHARE	**$**	**1.00**

The accompanying notes are an integral part of these financial statements.

Statement of Operations

T. Rowe Price Government Money Portfolio
($000s)

	Year Ended 12/31/17
Investment Income (Loss)	
Interest income	$ 263
Investment management and administrative expense	156
Net investment income	107
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 107**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

T. Rowe Price Government Money Portfolio
($000s)

	Year Ended 12/31/17	12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 107	$ –
Distributions to shareholders		
Net investment income	(107)	–
Capital share transactions*		
Shares sold	22,667	12,258
Distributions reinvested	107	–
Shares redeemed	(8,336)	(10,757)
Increase in net assets from capital share transactions	14,438	1,501
Net Assets		
Increase during period	14,438	1,501
Beginning of period	18,880	17,379
End of period	**$ 33,318**	**$ 18,880**
Undistributed net investment income	–	–

*Capital share transactions at net asset value of $1.00 per share

The accompanying notes are an integral part of these financial statements.

T. Rowe Price Fixed Income Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Government Money Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. The fund seeks preservation of capital, liquidity, and, consistent with these, the highest possible current income. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund intends to operate as a government money market fund and has no intention to voluntarily impose liquidity fees on redemptions or temporarily suspend redemptions.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Income distributions are declared daily and paid monthly. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

New Accounting Guidance In March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities, held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had 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 December 31, 2017, all of the fund's financial instruments were classified as Level 2 in the fair value hierarchy.

NOTE 3 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Distributions during the year ended December 31, 2017 were characterized for tax purposes as $107,000 of ordinary income. There were no distributions in the year ended December 31, 2016. At December 31, 2017, the tax-basis cost of investments, including derivatives, and components of net assets were as follows:

($000s)		
Cost of investments	$	33,141
Paid-in capital		33,318
Net assets	$	33,318

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.

NOTE 4 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.55% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

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 year ended December 31, 2017, expenses waived/repaid totaled less than $1,000.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the year ended December 31, 2017, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price Fixed Income Series, Inc. and Shareholders of T. Rowe Price Government Money Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price Government Money Portfolio (one of the portfolios constituting T. Rowe Price Fixed Income Series, Inc., hereafter referred to as the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 7, 2018

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

About the Portfolio's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Bruce W. Duncan (1951) 2013 [191]	Chief Executive Officer and Director (2009 to December 2016), Chairman of the Board (January 2016 to present), and President (2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2013 [191]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present)
Paul F. McBride (1956) 2013 [191]	Advisory Board Member, Vizzia Technologies (2015 to present)
Cecilia E. Rouse, Ph.D. (1963) 2013 [191]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program (2011 to 2015) and Board Member (2015 to present), National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession (2012 to present); Vice President (2015 to present), American Economic Association
John G. Schreiber (1946) 1994 [191]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder, Partner, and Cochairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016)
Mark R. Tercek (1957) 2009 [191]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [191]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds
Edward A. Wiese, CFA (1959) 2015 [56]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company; Vice President, Fixed Income Series

*Inside director serves until retirement, resignation, or election of a successor.

Officers

Name (Year of Birth) Position Held With Fixed Income Series	Principal Occupation(s)
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Steven G. Brooks, CFA (1954) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Jason T. Collins (1971) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
M. Helena Condez (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Levent Demirekler (1974) Vice President	Vice President, T. Rowe Price
G. Richard Dent (1960) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Stephanie A. Gentile, CFA (1956) Vice President	Vice President, T. Rowe Price; formerly, Director, Credit Suisse Securities (to 2014)
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Michael J. Grogan, CFA (1971) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Geoffrey M. Hardin (1971) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Charles B. Hill, CFA (1961) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Keir R. Joyce, CFA (1972) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Steven M. Kohlenstein (1987) Vice President	Vice President, T. Rowe Price
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Marcy M. Lash (1963) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Alan D. Levenson, Ph.D. (1958) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Joseph K. Lynagh, CFA (1958) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Andrew C. McCormick (1960) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Cheryl A. Mickel, CFA (1967) President	Director and Vice President, T. Rowe Price Trust Company; Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With Fixed Income Series	Principal Occupation(s)
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Vice President and Secretary, T. Rowe Price and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price
Vernon A. Reid, Jr. (1954) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Michael F. Reinartz (1973) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Chen Shao (1980) Vice President	Vice President, T. Rowe Price
Douglas D. Spratley, CFA (1969) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Robert D. Thomas (1971) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
John D. Wells (1960) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

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T.RowePrice®
INVEST WITH CONFIDENCE

100 East Pratt Street
Baltimore, MD 21202

201802-366030

E306-050 2/18

December 31, 2017

Annual Report

International Stock Portfolio

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price International Stock Portfolio

Highlights

- International stocks posted strong gains in the past year.
- The International Stock Portfolio returned 27.88% and slightly outperformed its MSCI benchmark for the 12-month period ended December 31, 2017.
- We buy and hold companies with durable franchises, as we believe they will generate steady earnings and cash flow growth over the long term.
- We are finding high-quality companies with attractive growth prospects, although it has become more difficult to find companies with significant dislocations between valuations and growth expectations.

The views and opinions in this report were current as of December 31, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

International stocks posted steady gains over the last 12 months. The MSCI All Country World Index ex USA increased 27.77% for the year ended December 31, 2017. Sector performance was uniformly positive, led by information technology, materials, industrials and business services, and consumer discretionary. Each of these sectors advanced better than 28%. Your portfolio slightly outperformed the benchmark due to favorable stock selection and, to a lesser extent, sector and regional allocation decisions. We focus on companies that are taking market share and outgrowing their peers. We believe that the portfolio is well positioned to generate long-term growth.

Performance Review

Performance Comparison

Periods Ended 12/31/17	Total Return 6 Months	12 Months
International Stock Portfolio	8.43%	27.88%
MSCI All Country World Index ex USA	11.63	27.77
Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	10.78	30.23

The International Stock Portfolio returned 27.88% for the 12 months ended December 31, 2017. As shown in the Performance Comparison table, your portfolio slightly outperformed the MSCI All Country World Index ex USA but underperformed its Lipper peer group.

The portfolio's performance versus the MSCI index benefited from stock selection in the financials, consumer staples, and telecommunication services sectors. However, stock selection in the industrials and business services and consumer discretionary sectors hurt relative results. Sector allocation decisions—an overweight to information technology and an underweight in energy—contributed to relative performance, while our overweight allocation in health care detracted.

Market Environment

Market Performance

Periods Ended 12/31/17 (In U.S. Dollar Terms)	Total Return 6 Months	12 Months
China	23.50%	54.33%
India	15.12	38.76
Hong Kong	12.02	36.17
France	10.15	29.90
Germany	10.73	28.49
Japan	12.97	24.39
Switzerland	3.81	23.62
United Kingdom	11.21	22.38

Source: RIMES Online, using MSCI indexes.

Stocks gained steadily during the period. Risk-on sentiment benefited stocks around the globe. Developed Europe (the largest region in the MSCI benchmark) produced about a 26% return, outperforming stocks in North America and Japan. Developed Asia performed slightly better, and emerging markets generated exceptionally strong gains.

The improvement in global growth that took hold at the end of 2017 is expected to continue despite some recent softening in several major economies' manufacturing surveys. Although manufacturers continued to project expansion, growth in the U.S. appears to be nowhere as robust as in Japan and Europe. European growth is benefiting from improving global trade, as concerns about political risks abated. Emerging markets economies could also thrive with the support of invigorated growth in the large, commodity-linked economies such as Brazil and Russia. Demand from China remained strong, and the expected slowdown never materialized, which was a key driver of the market rally in 2017.

Monetary policies remain generally supportive despite the interest rate normalization process underway in the U.S., the UK, and Canada. However, the prospect of the European Central Bank (ECB) prematurely tightening is a potential risk to our 2018 outlook. In October, the ECB announced plans to scale back its monthly asset purchase program from €60 billion to €30 billion beginning in early 2018, but it also clarified that it would continue reinvesting the proceeds of its bond purchases from maturing bonds for "as long as

necessary" to support growth and would not raise rates until after its bond purchases have ended. The Bank of Japan (BoJ) is fully committed to its current easy money policies. However, an inflation pickup in 2018 may alter the BoJ's quantitative easing program. Expectations for increased fiscal and corporate spending have declined, though pending tax proposals in the U.S. could generate additional earnings growth.

Emerging markets equities outperformed developed markets. The MSCI Emerging Markets Index returned 37.75%. Most emerging Asian markets generated strong gains, with China, South Korea, and India among the best. In emerging Europe, all major countries posted positive returns in dollar terms for the year, but regional heavyweight Russia rose only about 6%. All Latin American markets produced solid returns, although stocks in Mexico lagged.

Portfolio Review

The portfolio has tilted toward more defensive sectors in the past 12 months, with overweights in health care and consumer staples. The shift was driven entirely by stock selection—additions to companies that offered the best risk/reward potential. We also remain vigilant about valuations, which have moved higher across much of the market. Unfortunately, this tilt proved incorrect in the last six months, as markets have broadly continued to grind higher and worrisome data points have been brushed aside or ignored.

Our information technology sector holdings were the strongest absolute and relative performance contributors for the 12 months ended December 31, 2017. Three of the portfolio's 10 best absolute performance contributors for the year were technology holdings: **Tencent Holdings**, **Taiwan Semiconductor Manufacturing**, and **Alibaba Group Holding**. Over the past six months, we've made substantial additions to existing positions in IT, such as **Scout24 Holding**, **NAVER**, and Alibaba, and added several solid, attractively valued growth companies, including **Murata Manufacturing**, **Largan Precision**, and **Sea**. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

ASML Holding, which was another solid performer for the year, is a good example of the kind of company we believe can be a strong long-term performer. The company, which makes the critical tools that enable chipmaking regardless of the end market application, has benefited from the broad tailwind in the industry over the past year. Smartphone and auto customers provided strong demand for chips that are smaller and faster and consume less power. Given its dominant market share, we feel ASML is well positioned to benefit from a number of secular trends, including autonomous vehicles and cloud computing.

Sector Diversification

	Percent of Net Assets	
	6/30/17	12/31/17
Financials	18.6%	18.4%
Information Technology	16.3	17.7
Consumer Staples	14.1	14.5
Health Care	15.9	14.3
Industrials and Business Services	11.1	11.9
Consumer Discretionary	8.4	8.3
Materials	4.1	3.8
Telecommunication Services	4.3	3.7
Energy	3.1	2.7
Utilities	1.5	1.6
Real Estate	0.7	0.7
Other and Reserves	1.9	2.4
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Financials, the portfolio's largest allocation, is also our largest underweight versus the MSCI benchmark. We do not own most of the banks in Australia and Japan that are in the benchmark because they are richly priced and lack the growth characteristics that we view as attractive. The sector produced the portfolio's second-best absolute performance contribution, and our holdings outperformed, thanks to solid stock selection. Our underweight compared with the benchmark also generated a modest positive contribution to relative performance.

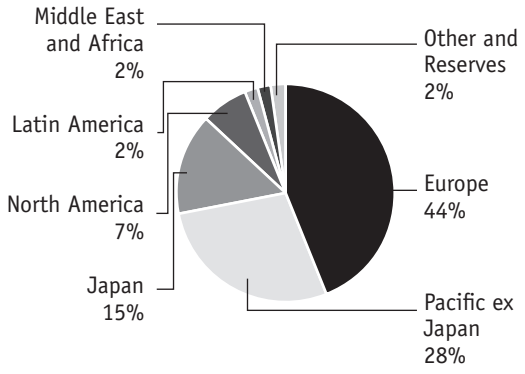
Within the banking segment, we initiated positions in **Erste Group Bank**, **Credicorp**, and **National Bank of Abu Dhabi**—firms that we believe have strong growth prospects and dominant market positions and should benefit from higher rates in growing emerging economies. We also favor strong asset-gathering franchises, such as **Julius Baer** and **Banco Mediolanum**. We eliminated **Royal Bank of Scotland**, **ING Groep**, **Aviva**, **Banco Itau**, and **Turkiye Garanti Bankasi**. Although each had generated gains, we found other ideas in the sector that we think can produce better growth.

Our health care allocation has remained approximately twice the size of the benchmark's weight because we are finding companies that offer a compelling blend of above-average, stable growth at reasonable valuations. Stock selection was particularly good, but our overweight allocation detracted from our comparison with the benchmark. Several of our health care holdings in Europe, Japan, and the U.S. were pressured by stock-specific concerns relating to drug sales and pipeline issues.

Within the pharmaceuticals industry, **Bayer**, our largest holding in the sector, posted standout performance. We remain optimistic that Bayer's merger with Monsanto will result in strong growth for several years. Although the shares have rallied off their lows following the Monsanto acquisition, we still find the valuation attractive relative to the quality of the business. Our large positions in **Roche Holding** and **Shire** also contributed solid gains for the year. We eliminated two of our poorest 12-month performers, **WuXi Biologics** and **CSL**, during the period. Both stocks produced modest gains but significantly underperformed in the strong market rally.

From a regional perspective, stock selection in emerging markets and North America contributed to relative performance. On a country basis, stock selection in China, Spain, Canada, and the U.S. generated solid performance contributions. Stock selection in the UK, the Netherlands, and Hong Kong hurt our comparison with the benchmark, although our holdings in each of those markets posted double-digit gains.

Geographic Diversification



Based on net assets as of 12/31/17.

We have become somewhat concerned about inflows to some emerging markets, including Mexico and Brazil, and rising populism in others. We remain modestly underweight in emerging markets as a result. We have narrowed our underweight to China somewhat, primarily through additions to information technology and consumer staples holdings. We have become more positive on the government's ability to smooth the economic transition and maintain industrial demand. 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 bottom-up stock selection process, and we believe that our best insights will come at the company level, rather than from trying to time the impact of macroeconomic events.

Portfolio Outlook

While it is clear that the world is generally experiencing economic growth, we worry that the current "Goldilocks" environment—low but positive growth coupled with modest inflation, which has spurred markets to new highs—will give way at some point. Either growth will disappoint or inflation will accelerate.

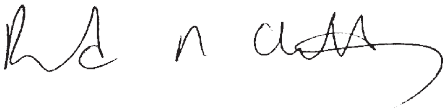
In addition, global central banks, after years of indirectly and directly supporting asset prices through large quantitative easing programs, are starting to shrink their balance sheets. While the central banks may be able to remove stimulus without upsetting equities, it is purely mathematical that what has been a tailwind for asset prices will gradually become a headwind as we move through 2018.

Regionally, we have modestly increased our Japan weighting after finding several stock-specific ideas, such as air conditioner manufacturer **Fujitsu General**. At the same time, we slightly reduced our emerging markets exposure, given their less favorable risk/reward metrics following the strong rally. In our view, the key risks to the global market environment include the negative impacts from protectionist trade policies; possible monetary policy missteps; political instability in the U.S., the UK, and Europe; energy price volatility; and geopolitical risks associated with the Middle East and the Korean Peninsula.

We will continue to rely on our bottom-up research platform and seek high-quality businesses that are facing temporary headwinds and, therefore, offer mispriced growth. As a result of this contrarian approach to investing, periods of strong momentum markets, such as in the last six months, can present a challenging environment for the strategy. However, we remain confident that over time, our long-term focus on areas the crowd is less focused on, and where our research indicates mispricing, will yield good returns for investors.

As always, we will continue to work diligently on your behalf. Thank you for your support and confidence in T. Rowe Price.

Respectfully submitted,



Richard N. Clattenburg
Chairman of the Investment Advisory Committee

January 8, 2018

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing its investment program.

Risks of International Investing

Portfolios that invest overseas generally carry more risk than those that invest strictly in U.S. assets. Portfolios investing in a single country or in a limited geographic region tend to be riskier than more diversified portfolios. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

Glossary

Lipper averages: The averages of available mutual fund performance returns for specified periods in categories defined by Lipper Inc.

MSCI All Country World Index ex USA: An index that measures equity market performance of developed and emerging countries, excluding the U.S.

Note: MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Portfolio Highlights

Twenty-Five Largest Holdings

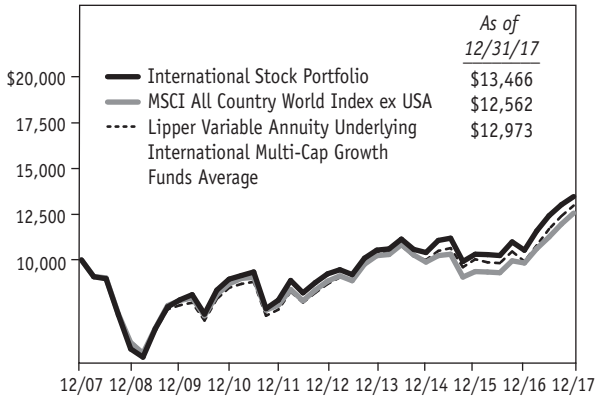
Company	Country	Percent of Net Assets 12/31/17
British American Tobacco	United Kingdom	2.2%
Nestle	Switzerland	2.2
Tencent Holdings	China	2.2
Bayer	Germany	2.1
CK Hutchison Holdings	Hong Kong	2.0
Roche Holding	Switzerland	1.9
AIA Group	Hong Kong	1.9
Priceline	United States	1.7
Taiwan Semiconductor Manufacturing	Taiwan	1.6
Seven & i Holdings	Japan	1.5
Alibaba Group Holding	China	1.5
Shire	United Kingdom	1.5
Fresenius	Germany	1.4
Erste Group Bank	Austria	1.4
Samsung Electronics	South Korea	1.4
Sampo	Finland	1.4
Mitsubishi Electric	Japan	1.4
Essity	Sweden	1.4
Nippon Telegraph & Telephone	Japan	1.4
NAVER	South Korea	1.4
Housing Development Finance	India	1.4
Thales	France	1.3
Canadian Natural Resources	Canada	1.2
Grifols	Spain	1.2
NTPC Limited	India	1.2
Total		39.8%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

International Stock Portfolio



Average Annual Compound Total Return

Periods Ended 12/31/17	1 Year	5 Years	10 Years
International Stock Portfolio	27.88%	7.83%	3.02%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). 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 7/1/17	Ending Account Value 12/31/17	Expenses Paid During Period* 7/1/17 to 12/31/17
Actual	$1,000.00	$1,084.30	$5.52
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.91	5.35

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (1.05%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (365) to reflect the half-year period.

Financial Highlights

T. Rowe Price International Stock Portfolio

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 14.27	$ 14.67	$ 15.26	$ 15.72	$ 13.90
Investment activities					
Net investment income[1]	0.17	0.17	0.14	0.15	0.17
Net realized and unrealized gain / loss	3.80	0.14	(0.28)	(0.35)	1.78
Total from investment activities	3.97	0.31	(0.14)	(0.20)	1.95
Distributions					
Net investment income	(0.19)	(0.16)	(0.15)	(0.17)	(0.13)
Net realized gain	(0.70)	(0.55)	(0.30)	(0.09)	–
Total distributions	(0.89)	(0.71)	(0.45)	(0.26)	(0.13)
NET ASSET VALUE					
End of period	**$ 17.35**	**$ 14.27**	**$ 14.67**	**$ 15.26**	**$ 15.72**
Ratios/Supplemental Data					
Total return[2]	**27.88%**	**2.13%**	**(0.90)%**	**(1.24)%**	**14.05%**
Ratio of total expenses to average net assets	1.05%	1.05%	1.05%	1.05%	1.05%
Ratio of net investment income to average net assets	1.04%	1.15%	0.88%	0.94%	1.13%
Portfolio turnover rate	34.0%	39.5%	37.3%	45.3%	53.1%
Net assets, end of period (in thousands)	$ 382,759	$ 310,621	$ 305,031	$ 329,646	$ 355,918

(1) Per share amounts calculated using average shares outstanding method.

(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

The accompanying notes are an integral part of these financial statements.

Portfolio of Investments‡

T. Rowe Price International Stock Portfolio
December 31, 2017

(Cost and value in $000s)	Shares	$ Value
AUSTRALIA 1.9%		
Common Stocks 1.9%		
Amcor	363,613	4,357
South32	1,134,179	3,074
Total Australia (Cost $4,562)		**7,431**
AUSTRIA 1.4%		
Common Stocks 1.4%		
Erste Group Bank	125,332	5,431
Total Austria (Cost $4,170)		**5,431**
BELGIUM 1.2%		
Common Stocks 1.2%		
Anheuser-Busch InBev	26,175	2,922
KBC	20,211	1,722
Total Belgium (Cost $4,027)		**4,644**
BRAZIL 0.9%		
Common Stocks 0.9%		
BB Seguridade Participacoes	408,031	3,501
Total Brazil (Cost $3,642)		**3,501**
CANADA 4.1%		
Common Stocks 4.1%		
Alimentation Couche-Tard Series B	61,186	3,193
Canadian Natural Resources	129,400	4,624
Canadian Pacific Railway	18,133	3,313
Magna International (USD)	44,793	2,538
Seven Generations Energy Class A (1)	138,980	1,966
Total Canada (Cost $12,956)		**15,634**
CHINA 7.0%		
Common Stocks 5.6%		
Alibaba Group Holding ADR (USD)(1)	33,100	5,708
China Mengniu Dairy (HKD)	929,000	2,760
China Overseas Land & Investment (HKD)	812,000	2,606
Ctrip.com International ADR (USD)(1)	51,333	2,264
Tencent Holdings (HKD)	159,400	8,250
		21,588
Common Stocks - China A shares 1.2%		
Gree Electric Appliances (CNH)	209,300	1,404
Kweichow Moutai (CNH)	28,774	3,079
		4,483
Convertible Preferred Stocks 0.2%		
Xiaoju Kuaizhi, Class A-17 Acquisition Date: 10/19/15, Cost $343 (USD)(1)(2)(3)	12,518	638
		638
Total China (Cost $11,538)		**26,709**
DENMARK 0.5%		
Common Stocks 0.5%		
GN Store Nord	60,800	1,964
Total Denmark (Cost $1,272)		**1,964**

(Cost and value in $000s)	Shares	$ Value
FINLAND 1.4%		
Common Stocks 1.4%		
Sampo, A Shares	98,077	5,383
Total Finland (Cost $4,286)		**5,383**
FRANCE 5.5%		
Common Stocks 5.5%		
Air Liquide	26,338	3,311
Airbus	21,701	2,157
BNP Paribas	21,689	1,613
Dassault Aviation	2,069	3,217
Sanofi	5,327	459
Schneider Electric	40,639	3,445
Thales	45,166	4,861
Total	32,354	1,786
Total, Rights, 1/3/18 (1)	32,354	—
Total France (Cost $16,701)		**20,849**
GERMANY 7.3%		
Common Stocks 7.3%		
Bayer	63,587	7,902
Beiersdorf	13,171	1,544
Fresenius	69,867	5,434
Linde (1)	9,768	2,290
Merck	28,145	3,021
Scout24 Holding	72,658	2,961
Telefonica Deutschland Holding	545,072	2,728
Wirecard	18,822	2,092
Total Germany (Cost $19,677)		**27,972**
HONG KONG 5.1%		
Common Stocks 5.1%		
AIA Group	862,400	7,335
CK Hutchison Holdings	619,384	7,761
Jardine Matheson Holdings (USD)	72,200	4,381
Total Hong Kong (Cost $13,997)		**19,477**
INDIA 4.9%		
Common Stocks 4.9%		
Axis Bank	429,031	3,777
Housing Development Finance	194,028	5,196
Infosys	139,770	2,270
NTPC Limited	1,643,037	4,535
Power Grid Corp of India	482,815	1,512
Wipro	307,464	1,497
Total India (Cost $11,264)		**18,787**
INDONESIA 1.6%		
Common Stocks 1.6%		
Bank Central Asia	2,431,900	3,924
Sarana Menara Nusantara	6,820,300	2,009
Total Indonesia (Cost $3,201)		**5,933**
ITALY 1.0%		
Common Stocks 1.0%		
Banca Mediolanum	435,393	3,765
Total Italy (Cost $3,349)		**3,765**
JAPAN 15.2%		
Common Stocks 15.2%		
Astellas Pharma	279,800	3,554
Bridgestone	28,600	1,324
Chugai Pharmaceutical	57,300	2,929
CyberAgent	37,000	1,442
Fujitsu General	120,600	2,644
Inpex	169,200	2,106
Japan Tobacco	111,600	3,594
Kansai Paint	57,400	1,489
Koito Manufacturing	38,400	2,688
Mabuchi Motor	10,000	541

(Cost and value in $000s)	Shares	$ Value
Mitsubishi Electric	323,700	5,365
Murata Manufacturing	17,400	2,330
Nippon Telegraph & Telephone	111,700	5,251
Olympus	34,000	1,301
Renesas Electronics (1)	117,300	1,360
Seven & i Holdings	138,600	5,742
Sumitomo	258,700	4,388
Suzuki Motor	38,300	2,217
Terumo	31,000	1,467
Tokio Marine Holdings	74,500	3,388
Yahoo! Japan (4)	683,300	3,130
Total Japan (Cost $44,233)		**58,250**
MALAYSIA 0.3%		
Common Stocks 0.3%		
Astro Malaysia Holdings	1,995,700	1,307
Total Malaysia (Cost $1,775)		**1,307**
MEXICO 0.6%		
Common Stocks 0.6%		
Grupo Financiero Santander Mexico Series B, ADR (USD)	321,670	2,351
Total Mexico (Cost $2,914)		**2,351**
NETHERLANDS 1.8%		
Common Stocks 1.8%		
Altice, Class A (1)(4)	115,444	1,211
ASML Holding	18,771	3,263
NXP Semiconductors (USD)(1)	19,300	2,260
Total Netherlands (Cost $2,594)		**6,734**

(Cost and value in $000s)	Shares	$ Value
PERU 0.3%		
Common Stocks 0.3%		
Credicorp (USD)	5,556	1,152
Total Peru (Cost $877)		**1,152**
SINGAPORE 0.3%		
Common Stocks 0.3%		
Sea, ADR (USD)(1)	97,200	1,296
Total Singapore (Cost $1,412)		**1,296**
SOUTH AFRICA 0.6%		
Common Stocks 0.6%		
FirstRand	436,975	2,366
Total South Africa (Cost $1,456)		**2,366**
SOUTH KOREA 3.8%		
Common Stocks 3.8%		
LG Household & Health Care	2,372	2,633
NAVER	6,431	5,224
Netmarble Games (1)	6,391	1,123
Samsung Electronics	2,267	5,386
Total South Korea (Cost $8,434)		**14,366**
SPAIN 2.4%		
Common Stocks 2.4%		
Amadeus IT, A Shares	61,547	4,429
Grifols, ADR (USD)	201,107	4,609
Total Spain (Cost $5,611)		**9,038**
SWEDEN 2.8%		
Common Stocks 2.8%		
Essity, B Shares (1)	184,819	5,252
Hexagon, B Shares	67,849	3,404

(Cost and value in $000s)	Shares	$ Value
Svenska Handelsbanken A Shares	137,208	1,875
Total Sweden (Cost $8,080)		**10,531**
SWITZERLAND 6.5%		
Common Stocks 6.5%		
Ams	4,775	433
GAM Holding	18,146	293
Julius Baer	66,587	4,072
Nestle	96,326	8,282
Roche Holding	29,223	7,389
UBS	245,922	4,518
Total Switzerland (Cost $20,618)		**24,987**
TAIWAN 2.0%		
Common Stocks 2.0%		
Largan Precision	13,000	1,745
Taiwan Semiconductor Manufacturing	781,000	5,980
Total Taiwan (Cost $4,015)		**7,725**
THAILAND 0.6%		
Common Stocks 0.6%		
CP ALL	953,300	2,252
Total Thailand (Cost $1,042)		**2,252**
UNITED ARAB EMIRATES 1.1%		
Common Stocks 1.1%		
DP World (USD)	89,396	2,234
National Bank of Abu Dhabi	713,351	1,989
Total United Arab Emirates (Cost $2,385)		**4,223**

(Cost and value in $000s)	Shares	$ Value
UNITED KINGDOM 12.2%		
Common Stocks 12.2%		
AstraZeneca, ADR (USD)	36,800	1,277
BAE Systems	204,339	1,579
British American Tobacco	126,344	8,541
Burberry	48,502	1,169
Capita	204,914	1,107
ConvaTec	958,539	2,643
Experian	48,694	1,073
Liberty Global, Series C (USD)(1)	75,939	2,570
Liberty Global Plc LiLAC Class C (USD)(1)	83,568	1,662
LivaNova (USD)(1)	25,645	2,050
Lloyds Banking Group	2,084,158	1,911
London Stock Exchange	21,467	1,098
Prudential	147,537	3,779
Reckitt Benckiser	37,153	3,466
Shire	108,220	5,608
Smith & Nephew	181,723	3,144
Vodafone	1,326,762	4,194
Total United Kingdom (Cost $42,998)		**46,871**
UNITED STATES 3.3%		
Common Stocks 3.3%		
MasterCard, Class A	24,100	3,648
Philip Morris International	23,071	2,437
Priceline (1)	3,774	6,558
Total United States (Cost $6,521)		**12,643**
SHORT-TERM INVESTMENTS 2.3%		
MONEY MARKET FUNDS 2.3%		
T. Rowe Price Government Reserve Fund, 1.24% (5)(6)	8,732,067	8,732
Total Short-Term Investments (Cost $8,732)		**8,732**

	Shares	$ Value
(Cost and value in $000s)		
SECURITIES LENDING COLLATERAL 0.9%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.9%		
Short-Term Funds 0.9%		
T. Rowe Price Short-Term Fund, 1.49% (5)(6)	332,981	3,330
Total Investments through Securities Lending Program with JPMorgan Chase Bank		**3,330**
Total Securities Lending Collateral (Cost $3,330)		**3,330**
Total Investments in Securities		
100.8% of Net Assets (Cost $281,669)		**$ 385,634**

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; Shares are denominated in the currency of the country presented unless otherwise noted.

(1) Non-income producing

(2) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to $638 and represents 0.2% of net assets.

(3) Level 3 in fair value hierarchy. See Note 2.

(4) All or a portion of this security is on loan at December 31, 2017 -- total value of such securities at period-end amounts to $3,144. See Note 4.

(5) Seven-day yield

(6) Affiliated Company

ADR American Depositary Receipts

CNH Offshore China Renminbi

GBP British Pound

HKD Hong Kong Dollar

JPY Japanese Yen

USD U.S. Dollar

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver			Unrealized Gain / (Loss)
Bank of America Merrill Lynch	1/19/18	USD	1,868	GBP	1,421	$	(51)
Citibank	1/19/18	USD	2,813	JPY	318,573		(17)
Net unrealized gain (loss) on open forward currency exchange contracts						$	(68)

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 year ended December 31, 2017. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	$ —	$ —	$ 60
T. Rowe Price Short-Term Fund	—	—	—++
Totals	$ —#	$ —	$ 60+

Supplementary Investment Schedule

Affiliate	Value 12/31/16	Purchase Cost	Sales Cost	Value 12/31/17
T. Rowe Price Government Reserve Fund	$ 7,055	¤	¤	$ 8,732
T. Rowe Price Short-Term Fund	2,717	¤	¤	3,330
				$ 12,062^

Capital gain/loss 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 $60 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 $12,062.

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

T. Rowe Price International Stock Portfolio
December 31, 2017
($000s, except shares and per share amounts)

Assets	
Investments in securities, at value (cost $281,669)	$ 385,634
Receivable for investment securities sold	618
Dividends receivable	452
Foreign currency (cost $142)	143
Cash	50
Receivable for shares sold	42
Other assets	627
Total assets	387,566
Liabilities	
Obligation to return securities lending collateral	3,330
Payable for investment securities purchased	509
Investment management and administrative fees payable	396
Payable for shares redeemed	154
Unrealized loss on forward currency exchange contracts	68
Other liabilities	350
Total liabilities	4,807
NET ASSETS	**$ 382,759**
Net Assets Consist of:	
Accumulated undistributed net realized gain	$ 438
Net unrealized gain	103,894
Paid-in capital applicable to 22,061,837 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized	278,427
NET ASSETS	**$ 382,759**
NET ASSET VALUE PER SHARE	**$ 17.35**

The accompanying notes are an integral part of these financial statements.

Statement of Operations

T. Rowe Price International Stock Portfolio
($000s)

	Year Ended 12/31/17
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of $612)	$ 7,396
Securities lending	56
Total income	7,452
Investment management and administrative expense	3,740
Net investment income	3,712
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	18,845
Written options	26
Forward currency exchange contracts	151
Foreign currency transactions	33
Net realized gain	19,055
Change in net unrealized gain / loss	
Securities	62,744
Written options	(7)
Forward currency exchange contracts	(353)
Other assets and liabilities denominated in foreign currencies	27
Change in net unrealized gain / loss	62,411
Net realized and unrealized gain / loss	81,466
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 85,178**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

T. Rowe Price International Stock Portfolio
($000s)

	Year Ended 12/31/17	12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 3,712	$ 3,536
Net realized gain	19,055	10,799
Change in net unrealized gain / loss	62,411	(7,412)
Increase in net assets from operations	85,178	6,923
Distributions to shareholders		
Net investment income	(3,963)	(3,325)
Net realized gain	(14,600)	(11,428)
Decrease in net assets from distributions	(18,563)	(14,753)
Capital share transactions*		
Shares sold	20,697	34,661
Distributions reinvested	18,563	14,753
Shares redeemed	(33,737)	(35,994)
Increase in net assets from capital share transactions	5,523	13,420
Net Assets		
Increase during period	72,138	5,590
Beginning of period	310,621	305,031
End of period	**$ 382,759**	**$ 310,621**
Undistributed net investment income	–	229
*Share information		
Shares sold	1,234	2,387
Distributions reinvested	1,081	1,037
Shares redeemed	(2,025)	(2,438)
Increase in shares outstanding	290	986

The accompanying notes are an integral part of these financial statements.

T. Rowe Price International Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The International Stock Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. The fund seeks long-term growth of capital through investments primarily in the common stocks of established non-U.S. companies. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Income distributions are declared and paid annually. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

New Accounting Guidance In March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities, held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had 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. 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 December 31, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	$ –	$ 251,144	$ –	$ 251,144
Canada	2,538	13,096	–	15,634
China	7,972	18,099	638	26,709
Mexico	2,351	–	–	2,351
Netherlands	2,260	4,474	–	6,734
Peru	1,152	–	–	1,152
Singapore	1,296	–	–	1,296
Spain	4,609	4,429	–	9,038
United Kingdom	7,559	39,312	–	46,871
United States	12,643	–	–	12,643
Short-Term Investments	8,732	–	–	8,732
Securities Lending Collateral	3,330	–	–	3,330
Total	$ 54,442	$ 330,554	$ 638	$ 385,634
Liabilities				
Forward Currency Exchange Contracts	$ –	$ 68	$ –	$ 68

There were no material transfers between Levels 1 and 2 during the year ended December 31, 2017.

Following is a reconciliation of the fund's Level 3 holdings for the year ended December 31, 2017. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at December 31, 2017, totaled $160,000 for the year ended December 31, 2017.

($000s)	Beginning Balance 1/1/17	Gain (Loss) During Period	Ending Balance 12/31/17
Investments in Securities			
Convertible Preferred Stocks	$ 478	$ 160	$ 638

NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended December 31, 2017, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. As of December 31, 2017, the fund held foreign exchange derivatives with a fair value of $68,000, included in unrealized loss on forward currency exchange contracts, on the accompanying Statement of Assets and Liabilities.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the year ended December 31, 2017, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations		
	Written Options	Forward Currency Exchange Contracts	Total
Realized Gain (Loss)			
Foreign exchange derivatives	$ –	$ 151	$ 151
Equity derivatives	26	–	26
Total	$ 26	$ 151	$ 177
Change in Unrealized Gain/Loss			
Foreign exchange derivatives	$ –	$ (353)	$ (353)
Equity derivatives	(7)	–	(7)
Total	$ (7)	$ (353)	$ (360)

Counterparty Risk and Collateral The fund invests in derivatives, such as bilateral swaps, forward currency exchange contracts, or OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives), and thereby expose the fund to counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also require the exchange of collateral to cover mark-to-market exposure. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs govern the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow termination of transactions and net settlement upon the occurrence of contractually specified events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate, while a decline in the fund's net assets of more than a specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount determined. ISDAs include collateral agreements whereas FX letters do not. Collateral requirements are determined daily based on the net aggregate unrealized gain or loss on all bilateral derivatives with each counterparty, subject to minimum transfer amounts that typically range from $100,000 to $250,000. Any additional collateral required due to changes in security values is typically transferred the same business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account at the fund's custodian. While typically not sold in the same manner as to equity or fixed income securities, 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 December 31, 2017, no collateral was pledged by either the fund or counterparties for bilateral derivatives.

Forward Currency Exchange Contracts The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It uses forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated securities from adverse currency movements. 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 year ended December 31, 2017, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally between 1% and 2% of net assets.

Options The fund is subject to equity price risk in the normal course of pursuing its investment objectives and uses options to help manage such risk. The fund may use options to manage exposure to security prices, interest rates, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or a part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. Options are included in net assets at fair value, purchased options are included in Investments in Securities, and written options are separately reflected as a liability on the accompanying Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as realized gain or loss. In return for a premium paid, call and put options give the holder the right, but not the obligation, to purchase or sell, respectively, a security at a specified exercise price. Risks related to the use of options include possible illiquidity of the options markets; trading restrictions imposed by an exchange or counterparty; movements in the underlying asset values; and, for written options, potential losses in excess of the fund's initial investment. During the year ended December 31, 2017, the volume of the fund's activity in options, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets The fund may invest, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in, issued by governments of, or denominated in or linked to the currencies of emerging market countries; at period-end, approximately 24% of the fund's net assets were invested in emerging markets. Emerging markets generally have economic structures that are less diverse and mature, and political systems that are less stable, than developed countries. These markets may be subject to greater political, economic, and social uncertainty and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars. Such securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Securities Lending The fund may lend its securities to approved borrowers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At December 31, 2017, the value of loaned securities was $3,144,000, including securities sold but not yet settled, which are not reflected in the accompanying Portfolio of Investments; the value of cash collateral and related investments was $3,330,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $117,780,000 and $125,379,000, respectively, for the year ended December 31, 2017.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications between income and gain relate primarily to per-share rounding of distributions. For the year ended December 31, 2017, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

($000s)	
Undistributed net investment income	$ 22
Undistributed net realized gain	(22)

Distributions during the years ended December 31, 2017 and December 31, 2016, were characterized for tax purposes as follows:

($000s)	December 31	
	2017	**2016**
Ordinary income	$ 6,883	$ 4,779
Long-term capital gain	11,680	9,974
Total distributions	$ 18,563	$ 14,753

At December 31, 2017, the tax-basis cost of investments, including derivatives, and components of net assets were as follows:

($000s)	
Cost of investments	$ 286,518
Unrealized appreciation	$ 105,583
Unrealized depreciation	(6,538)
Net unrealized appreciation (depreciation)	99,045
Undistributed ordinary income	1,745
Undistributed long-term capital gain	3,542
Paid-in capital	278,427
Net assets	$ 382,759

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales, and the realization of gains/losses on passive foreign investment companies for tax purposes.

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 December 31, 2017, the fund had no deferred tax liability attributable to foreign securities and $1,636,000 of foreign capital loss carryforwards, including $503,000 that expire in 2018, $197,000 that expire in 2019, $427,000 that expire in 2020, $41,000 that expire in 2021, $18,000 that expire in 2022, $198,000 that expire in 2023, $23,000 that expire in 2025, and $229,000 that expire in 2026.

NOTE 7 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). Price Associates has entered into a sub-advisory agreement(s) with one or more of its wholly owned subsidiaries, to provide investment advisory services to the fund. The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 1.05% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the year ended December 31, 2017, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price International Series, Inc. and Shareholders of T. Rowe Price International Stock Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price International Stock Portfolio (one of the portfolios constituting T. Rowe Price International Series, Inc., hereafter referred to as the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 7, 2018

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

Tax Information (Unaudited) for the Tax Year Ended 12/31/17

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included:

- $2,942,000 from short-term capital gains,
- $11,680,000 from long-term capital gains, subject to a long-term capital gains tax rate of not greater than 20%.

For taxable non-corporate shareholders, $5,617,000 of the fund's income represents qualified dividend income subject to a long-term capital gains tax rate of not greater than 20%.

For corporate shareholders, $163,000 of the fund's income qualifies for the dividends-received deduction.

The fund will pass through foreign source income of $5,805,000 and foreign taxes paid of $445,000.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

About the Portfolio's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Bruce W. Duncan (1951) 2013 [191]	Chief Executive Officer and Director (2009 to December 2016), Chairman of the Board (January 2016 to present), and President (2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2012 [191]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present)
Paul F. McBride (1956) 2013 [191]	Advisory Board Member, Vizzia Technologies (2015 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [191]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program (2011 to 2015) and Board Member (2015 to present), National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession (2012 to present); Vice President (2015 to present), American Economic Association
John G. Schreiber (1946) 2001 [191]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder, Partner, and Cochairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016)
Mark R. Tercek (1957) 2009 [191]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [191]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds
Robert W. Sharps, CFA, CPA** (1971) 2017 [135]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company

*Each inside director serves until retirement, resignation, or election of a successor.
**Effective April 1, 2017, Brian C. Rogers was replaced by Robert W. Sharps as an inside director of certain Price Funds.

Officers

Name (Year of Birth) Position Held With International Series	Principal Occupation(s)
Christopher D. Alderson (1962) President	Director and Vice President, T. Rowe Price International; Vice President, Price Hong Kong, Price Singapore, and T. Rowe Price Group, Inc.
Harishankar Balkrishna (1983) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Sheena L. Barbosa (1983) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Richard N. Clattenburg, CFA (1979) Executive Vice President	Vice President, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Jai Kapadia (1982) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Tobias F. Mueller (1980) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Vice President and Secretary, T. Rowe Price and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With International Series	Principal Occupation(s)
Oluwaseun A. Oyegunle, CFA (1984) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly, student, The Wharton School, University of Pennsylvania (to 2013)
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price
Sebastian Schrott (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
Ernest C. Yeung, CFA (1979) Executive Vice President	Director, Responsible Officer, and Vice President, Price Hong Kong; Vice President, T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

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T.RowePrice®
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100 East Pratt Street
Baltimore, MD 21202

201802-365990

E301-050 2/18

December 31, 2017

Annual Report

Limited-Term Bond Portfolio

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Limited-Term Bond Portfolio

Highlights

- Short-term Treasury yields increased more than those on longer-dated maturities as the Federal Reserve raised its federal funds target rate. The yield curve flattened through much of the period amid expectations for further rate increases in line with stronger growth.
- The Limited-Term Bond Portfolio outperformed the Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index during the 12-month period but underperformed the Lipper peer group average.
- The portfolio's strategic underweight to U.S. Treasuries and corresponding overweight to investment-grade corporate debt benefited results as investors maintained their willingness to add risk.
- While future rate increases could pressure shorter-dated securities, we expect that investor demand for high-quality, higher-yielding securities with lower interest rate risk should be supportive.

The views and opinions in this report were current as of December 31, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

We maintained our overweight to investment-grade corporate debt, given the possibility that economic growth may get a boost from increased spending and deregulation under the Trump administration. Along with increasing exposure to other market segments with more attractive yields, these allocation decisions helped your portfolio outperform its benchmark as Treasuries and other high-quality bonds underperformed.

Performance

Performance Comparison

Periods Ended 12/31/17	Total Return 6 Months	Total Return 12 Months
Limited-Term Bond Portfolio	0.13%	1.05%
Limited-Term Bond Portfolio–II	0.01	0.81
Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index	0.13	0.84
Lipper Variable Annuity Underlying Short-Intermediate Investment Grade Debt Funds Average	0.39	1.66

Your portfolio returned 1.05% during the 12 months ended December 31, 2017, outperforming its benchmark, the Bloomberg Barclays 1–3 Year U.S. Government/Credit Bond Index, which returned 0.84%. The portfolio underperformed the 1.66% return of our Lipper peer group average. (Performance for the Portfolio–II was slightly lower, reflecting its different expense ratio.)

The portfolio's net asset value ended the reporting period at $4.82, down from $4.84 at the end of 2016. Dividends contributed $0.07 per share during the 12-month period.

Economy and Interest Rates

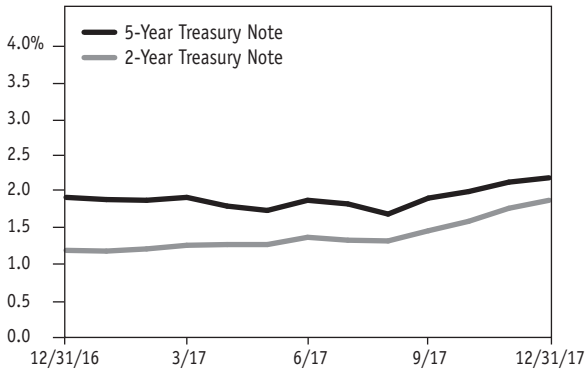
The U.S. economy grew at an annualized pace of 3.3% in the third quarter and was on track to expand about 2% for the full year 2017. The solid growth, combined with strong employment and signs that inflation could be accelerating, prompted the Federal Reserve to raise its federal funds target rate three times during the period, bringing the fed funds target rate to the 1.25% to 1.50% range. The central bank also indicated that three more rate hikes would likely follow in 2018. Adding to upward rate pressure during the period, the Fed began to slowly unwind its $4.5 trillion balance sheet built up as part of its quantitative easing measures put in place in the aftermath of the 2008 financial crisis.

Short-term Treasury yields increased in the 12-month period ended December 31, 2017, as the market responded to the Fed's rate hikes and anticipated that interest rate increases would continue at a gradual pace in 2018.

The shorter-term Treasury yield curve, especially between two- and five-year notes, flattened as short-maturity rates increased more than longer-term yields. The yield on the two-year Treasury note began the period at 1.20% and rose to 1.89%, while the yield on the five-year Treasury began the period at 1.93% and rose to 2.20%. (Bond prices and yields move in opposite directions.)

Companies continued to issue debt at a fast pace. However, technical conditions remained healthy with strong demand, especially from foreign buyers, absorbing the supply. Corporate bonds outperformed U.S. Treasuries of similar maturities as credit spreads compressed. Asset-backed securities (ABS) and mortgage-backed securities (MBS) gained modestly. The ABS sector was supported by strong consumer fundamentals, while the MBS sector benefited from the rise in rates that helped mitigate prepayment risk.

Interest Rate Levels



Source: Federal Reserve Board.

Portfolio Review

Key Statistics

Periods Ended	6/30/17	12/31/17
Limited-Term Bond Portfolio		
Price Per Share	$4.85	$4.82
Dividends Per Share		
6 Months	0.03	0.04
12 Months	0.07	0.07
SEC Yield (30-day)	1.25%	1.54%
Limited-Term Bond Portfolio–II		
Price Per Share	$4.83	$4.80
Dividends Per Share		
6 Months	0.03	0.03
12 Months	0.06	0.06
SEC Yield (30-day)	1.00%	1.29%
Weighted Average Maturity (years)	2.0	2.1
Weighted Average Effective Duration (years)	1.9	1.9

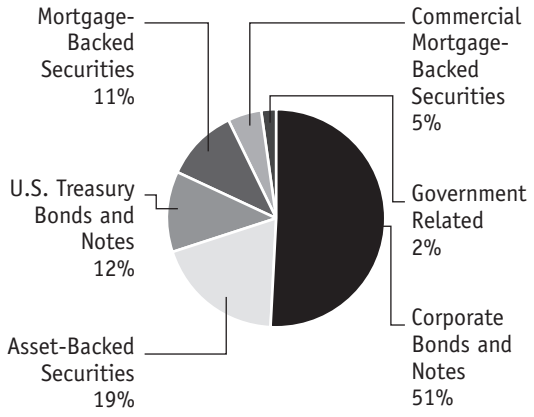
12-month dividends may not equal the combined 6-month figures due to rounding.

The portfolio's strategic underweight to U.S. Treasuries and corresponding overweight to investment-grade corporate debt were the top contributors to results. Typically, we underweight lower-yielding Treasury securities and overweight investment-grade corporates for their incremental yield advantage. We maintained our out-of-benchmark exposure in the securitized sector (ABS, commercial mortgage-backed securities, and MBS), which, as noted above, benefited from the strength in the consumer and housing markets during the period.

Our exposure to short-dated corporate debt remained high, with corporate debt composing 51% of the portfolio and out-of-benchmark securitized debt accounting for 35% at the end of the reporting period. While valuations appear stretched in many areas of the markets, we continue to use the insights of our research team to find shorter-maturity securities that can produce value for investors while providing the portfolio with the needed protection—thanks to their short maturity—to withstand risk-related selling.

Security selection marginally detracted from relative results. Our holdings in short-maturity debt within the health care and automotive industries underperformed as companies in the pharmaceutical industry suffered from competitive pressures and auto sales slowed. We sold some debt of **Teva Pharmaceutical Finance**, which was a detractor from relative performance. In November, Fitch Ratings cut Teva's credit rating to the below investment-grade category, citing significant operational stress that the Israeli drugmaker faced as it dealt with debt obligations that were almost three times its market value. **Ford Motor Credit** and **General Motors Financial** bonds also detracted as vehicle sales declined. Overall in 2017, sales fell 1.8% from 2016. (Please refer to the portfolio of investments for a complete list of the holdings and the amount each represents in the portfolio.)

Sector Diversification



Based on net assets as of 12/31/17.

Our yield curve positioning contributed to relative results. We increased our duration slightly during the period to 1.9 years. Our overweight to 10-year and 20-year bonds benefited results when securities with longer maturities rallied.

While we are primarily a cash bond manager, we occasionally employ the limited use of derivatives in our strategy for duration and curve management purposes. Derivatives may include futures, options, and interest-only mortgages, as well as credit default and interest rate futures. During the period, our use of interest rate futures contributed to performance.

Quality Diversification

	Percent of Net Assets 6/30/17	12/31/17
Quality Rating		
U.S. Government Agency Securities*	7%	7%
U.S. Treasury**	10	12
AAA	22	19
AA	7	9
A	17	15
BBB	33	31
BB and Below	3	7
Reserves	1	0
Total	100%	100%

*U.S. government agency securities include GNMA securities and conventional pass-throughs, collateralized mortgage obligations, and project loans. U.S. government agency securities, unlike Treasuries, are not issued directly by the U.S. government and are generally unrated but have credit support from the U.S. Treasury (in the case of Freddie Mac and Fannie Mae issues) or a direct government guarantee (in the case of Ginnie Mae issues). Unrated securities totaled 0.45% of the portfolio at the end of the reporting period.

**U.S. Treasury securities are issued by the U.S. Treasury and are backed by the full faith and credit of the U.S. government. The ratings of U.S. Treasury securities are derived from the ratings on the U.S. government.

Sources: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, Fitch will be used for securities that are not rated by Moody's or S&P. T. Rowe Price does not evaluate these ratings but simply assigns them to the appropriate credit quality category as determined by the rating agency.

Outlook

While uncertainties surrounding monetary policy and ongoing fiscal implementation could add to market volatility, the solid macroeconomic backdrop should remain supportive for short-term bonds. Ample global liquidity and favorable financial conditions persist despite signs from global central bank officials that years of ultra-loose monetary policy are coming to an end.

We believe that the Fed will continue to tighten monetary policy at a gradual enough pace to ensure that it does not derail the economic expansion and that it will clearly telegraph its moves to investors. While future rate increases could pressure short-term securities, we expect that investor demand for higher-yielding securities with lower duration risk should support the portfolio. Being mindful of this potential volatility, we have positioned the portfolio for a further flattening of the yield curve as short- and long-term rates continue to converge. The portfolio is focused on debt with maturities of 18 months and under. In this way we will be able to reap the benefits of coupon payments, while remaining somewhat protected in the event of a sell-off.

While the backdrop for U.S. corporate bonds remains constructive—buoyed by decent earnings and expectations for economic growth—we will be on the lookout for potential risk-off events. As always, we strive to find value and seek out securities offering reasonable yields without taking on an inordinate level of risk. Our broad diversification and research-driven approach should help us identify short-term bonds whose valuations are disconnected from credit fundamentals while helping to limit exposure to sharp swings in the market.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

Michael Reinartz
President and chairman of the portfolio's Investment Advisory Committee

January 17, 2018

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the portfolio's investment program.

Risks of Fixed Income Investing

Bonds are subject to interest rate risk (the decline in bond prices that usually accompanies a rise in interest rates) and credit risk (the chance that any portfolio holding could have its credit rating downgraded or that a bond issuer will default by failing to make timely payments of interest or principal), potentially reducing the portfolio's income level and share price. Mortgage-backed securities are subject to prepayment risk, particularly if falling rates lead to heavy refinancing activity, and extension risk, which is an increase in interest rates that causes a portfolio's average maturity to lengthen unexpectedly due to a drop in mortgage prepayments. This could increase the fund's sensitivity to rising interest rates and its potential for price declines.

Glossary

Bloomberg Barclays 1–3 Year U.S. Government/ Credit Bond Index: A total return index that incorporates all bonds in the Treasury Bond Index and the Agency Bond Index, as well as U.S. corporate and some foreign debentures and secured notes, with maturities of one to three years.

Credit spread: The difference between the yield on a corporate bond and a Treasury of a similar maturity.

Duration: A measure of a bond fund's sensitivity to changes in interest rates. For example, a fund with a duration of two years would fall about 2% in price in response to a one-percentage-point rise in interest rates, and vice versa.

Fed funds rate: The interest rate charged on overnight loans of reserves by one financial institution to another in the United States. The Federal Reserve sets a target federal funds rate to affect the direction of interest rates.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

Glossary (continued)

SEC yield (30-day): A method of calculating a portfolio's yield that assumes all portfolio securities are held until maturity. Yield will vary and is not guaranteed.

Weighted average maturity: A measure of a portfolio's interest rate sensitivity. In general, the longer the average maturity, the greater the portfolio's sensitivity to interest rate changes. The weighted average maturity may take into account the interest rate readjustment dates for certain securities.

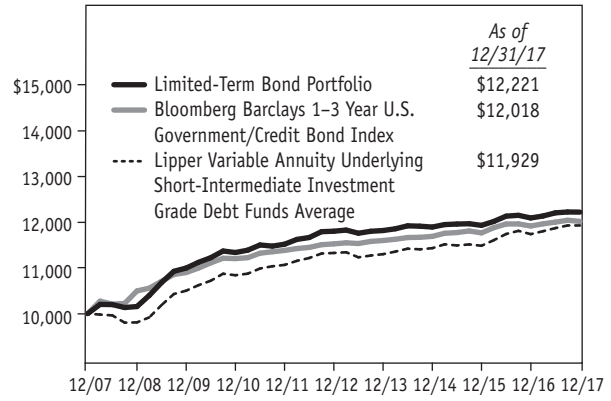
Yield curve: A graphic depiction of the relationship between yields and maturity dates for a set of similar securities. A security with a longer maturity usually has a higher yield. If a short-term security offers a higher yield, then the curve is said to be "inverted." If short- and long-term securities are offering equivalent yields, then the curve is said to be "flat."

Note: Bloomberg Index Services Ltd. Copyright 2017, 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 may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Limited-Term Bond Portfolio



Note: Performance for the II Class will vary due to its differing fee structure. See the returns table below.

Average Annual Compound Total Return

Periods Ended 12/31/17	1 Year	5 Years	10 Years
Limited-Term Bond Portfolio	1.05%	0.70%	2.03%
Limited-Term Bond Portfolio–II	0.81	0.45	1.72

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

Limited-Term Bond Portfolio

	Beginning Account Value 7/1/17	Ending Account Value 12/31/17	Expenses Paid During Period* 7/1/17 to 12/31/17
Limited-Term Bond Portfolio			
Actual	$1,000.00	$1,001.30	$3.53
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.68	3.57
Limited-Term Bond Portfolio–II			
Actual	1,000.00	1,000.10	4.79
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.42	4.84

*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 (184), and divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Limited-Term Bond Portfolio was 0.70%, and the Limited-Term Bond Portfolio–II was 0.95%.

Financial Highlights

T. Rowe Price Limited-Term Bond Portfolio

Limited-Term Bond Class

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 4.84	$ 4.84	$ 4.88	$ 4.91	$ 4.98
Investment activities					
Net investment income[1]	0.06	0.05	0.04	0.05	0.06
Net realized and unrealized gain / loss	(0.01)	0.02	(0.02)	(0.02)	(0.05)
Total from investment activities	0.05	0.07	0.02	0.03	0.01
Distributions					
Net investment income	(0.07)	(0.07)	(0.06)	(0.06)	(0.08)
Net realized gain	–	–	–	–	–[2]
Total distributions	(0.07)	(0.07)	(0.06)	(0.06)	(0.08)
NET ASSET VALUE					
End of period	**$ 4.82**	**$ 4.84**	**$ 4.84**	**$ 4.88**	**$ 4.91**

Ratios/Supplemental Data

Total return[3]	**1.05%**	**1.37%**	**0.31%**	**0.64%**	**0.13%**
Ratio of total expenses to average net assets	0.70%	0.70%	0.70%	0.70%	0.70%
Ratio of net investment income to average net assets	1.29%	1.05%	0.82%	1.00%	1.12%
Portfolio turnover rate	55.9%	58.0%	89.2%	117.0%	52.4%
Net assets, end of period (in thousands)	$ 443,270	$ 390,964	$ 420,125	$ 261,935	$ 168,117

(1) Per share amounts calculated using average shares outstanding method.

(2) Amounts round to less than $0.01 per share.

(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

The accompanying notes are an integral part of these financial statements.

Financial Highlights

T. Rowe Price Limited-Term Bond Portfolio

Limited-Term Bond-II Class

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 4.82	$ 4.82	$ 4.86	$ 4.89	$ 4.96
Investment activities					
Net investment income[1]	0.05	0.04	0.03	0.04	0.03
Net realized and unrealized gain / loss	(0.01)	0.01	(0.03)	(0.02)	(0.04)
Total from investment activities	0.04	0.05	–	0.02	(0.01)
Distributions					
Net investment income	(0.06)	(0.05)	(0.04)	(0.05)	(0.06)
Net realized gain	–	–	–	–	–[2]
Total distributions	(0.06)	(0.05)	(0.04)	(0.05)	(0.06)
NET ASSET VALUE					
End of period	**$ 4.80**	**$ 4.82**	**$ 4.82**	**$ 4.86**	**$ 4.89**
Ratios/Supplemental Data					
Total return[3]	**0.81%**	**1.12%**	**0.06%**	**0.39%**	**(0.12)%**
Ratio of total expenses to average net assets	0.95%	0.95%	0.95%	0.95%	0.95%
Ratio of net investment income to average net assets	1.09%	0.77%	0.62%	0.81%	0.65%
Portfolio turnover rate	55.9%	58.0%	89.2%	117.0%	52.4%
Net assets, end of period (in thousands)	$ 7,378	$ 9,979	$ 11,043	$ 8,224	$ 4,824

(1) Per share amounts calculated using average shares outstanding method.

(2) Amounts round to less than $0.01 per share.

(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

The accompanying notes are an integral part of these financial statements.

Portfolio of Investments‡

T. Rowe Price Limited-Term Bond Portfolio
December 31, 2017

(Amounts in 000s)	Par/Shares	$ Value
CORPORATE BONDS 48.4%		
Financial Institutions 19.6%		
Banking 14.7%		
ABN Amro Funding 2.10%, 1/18/19 (1)	1,170	1,169
Ally Financial 3.50%, 1/27/19	1,855	1,864
American Express Credit 2.20%, 3/3/20	1,030	1,027
ANZ New Zealand International 2.20%, 7/17/20 (1)	550	546
Banco de Credito del Peru 2.25%, 10/25/19 (1)	200	200
Banco Santander 2.50%, 12/15/20 (1)	1,285	1,285
Bank of America 1.75%, 6/5/18	2,455	2,453
Bank of America 2.503%, 10/21/22	435	430
Bank of America 2.625%, 4/19/21	535	538
Bank of America 5.65%, 5/1/18	235	238
Bank of America, VR 3M USD LIBOR + 0.65% 1.971%, 10/1/21	595	596
Bank of America, VR 3M USD LIBOR + 1.16% 2.523%, 1/20/23	995	1,014
Bank of Montreal 1.75%, 9/11/19	1,580	1,567
Bank of Tokyo-Mitsubishi UFJ 2.15%, 9/14/18 (1)	1,010	1,011
Banque Federale Credit Mutuel 2.00%, 4/12/19 (1)	690	688
Banque Federale Credit Mutuel 2.20%, 7/20/20 (1)	625	620
Banque Federale Credit Mutuel 2.50%, 10/29/18 (1)	435	437
Barclays Bank, VR 3M USD LIBOR + 1.625% 2.975%, 1/10/23	875	898
BB&T 2.15%, 2/1/21	860	851
BB&T, VR 3M USD LIBOR + 0.86% 2.449%, 6/15/18	405	406
BPCE 1.625%, 1/26/18	695	695
BPCE 2.50%, 12/10/18	1,435	1,438
BPCE, VR 3M USD LIBOR + 1.22% 2.666%, 5/22/22 (1)	400	406
Capital One Financial 2.40%, 10/30/20	575	570
Capital One National Association 1.65%, 2/5/18	715	715
Capital One National Association 1.85%, 9/13/19	1,040	1,030
Capital One National Association 2.35%, 8/17/18	1,000	1,003
Capital One National Association 2.35%, 1/31/20	280	279
Citibank 2.125%, 10/20/20	1,080	1,069
Citigroup 1.80%, 2/5/18	1,500	1,500
Citigroup 2.90%, 12/8/21	990	994
Citigroup, VR 3M USD LIBOR + 0.79% 2.14%, 1/10/20	1,005	1,010
Citizens Bank 2.25%, 3/2/20	455	453
Citizens Bank 2.45%, 12/4/19	250	250
Citizens Bank 2.50%, 3/14/19	925	927
Citizens Bank 2.55%, 5/13/21	390	389
Danske Bank 2.20%, 3/2/20 (1)	915	911
Discover Bank 2.00%, 2/21/18	250	250
Discover Bank 7.00%, 4/15/20	1,555	1,697
First Niagara Financial Group 7.25%, 12/15/21	240	276
Goldman Sachs 1.95%, 7/23/19	350	348
Goldman Sachs 2.30%, 12/13/19	500	499

(Amounts in 000s)	Par/Shares	$ Value
Goldman Sachs 5.375%, 3/15/20	295	313
Goldman Sachs 6.00%, 6/15/20	90	97
Goldman Sachs 6.15%, 4/1/18	2,845	2,874
Goldman Sachs, VR 3M USD LIBOR + 0.78% 2.16%, 10/31/22	750	751
Goldman Sachs, VR 3M USD LIBOR + 1.11% 2.481%, 4/26/22	750	758
HBOS 6.75%, 5/21/18 (1)	430	438
HSBC Bank, VR 3M USD LIBOR + 0.64% 2.056%, 5/15/18 (1)	380	380
HSBC Holdings 2.65%, 1/5/22	470	467
Huntington National Bank 2.20%, 11/6/18	995	995
Huntington National Bank 2.375%, 3/10/20	1,020	1,020
ING Groep, VR 3M USD LIBOR + 1.15% 2.843%, 3/29/22	480	489
Intesa Sanpaolo 3.875%, 1/15/19	650	660
JPMorgan Chase 2.25%, 1/23/20	800	799
JPMorgan Chase 4.25%, 10/15/20	275	288
JPMorgan Chase 4.40%, 7/22/20	170	179
JPMorgan Chase 4.95%, 3/25/20	225	238
JPMorgan Chase, VR 3M USD LIBOR + 0.55% 2.086%, 3/9/21	990	992
Merrill Lynch 6.875%, 4/25/18	185	188
Mitsubishi UFJ Financial Group, VR 3M USD LIBOR + 0.92% 2.366%, 2/22/22	570	575
Morgan Stanley 2.125%, 4/25/18	2,000	2,001
Morgan Stanley 5.50%, 1/26/20	355	376
Morgan Stanley 5.50%, 7/24/20	355	380
Morgan Stanley, VR 3M USD LIBOR + 0.85% 2.215%, 1/24/19	1,960	1,970
Morgan Stanley, VR 3M USD LIBOR + 1.28% 2.647%, 4/25/18	435	436
National Australia Bank 1.875%, 7/23/18	1,315	1,315
Nationwide Building Society 2.35%, 1/21/20 (1)	400	399
Nordea Bank 1.875%, 9/17/18 (1)	1,040	1,039
PNC Bank 2.45%, 11/5/20	650	650
Regions Bank 2.25%, 9/14/18	455	455
Regions Bank 7.50%, 5/15/18	250	255
Santander 2.00%, 8/24/18	1,345	1,344
Skandinaviska Enskilda Banken 1.50%, 9/13/19	1,065	1,052
Standard Chartered 2.10%, 8/19/19 (1)	280	278
Sumitomo Mitsui Banking 1.762%, 10/19/18	295	294
Sumitomo Mitsui Banking 1.95%, 7/23/18	500	499
Sumitomo Mitsui Trust Bank 1.80%, 3/28/18 (1)	1,010	1,009
Sumitomo Mitsui Trust Bank 1.95%, 9/19/19 (1)	410	406
SunTrust Banks 2.35%, 11/1/18	200	200
Swedbank 1.75%, 3/12/18 (1)	770	770
Toronto-Dominion Bank 1.75%, 7/23/18	1,050	1,049
Toronto-Dominion Bank 1.95%, 1/22/19	1,005	1,004
Toronto-Dominion Bank, VR 3M USD LIBOR + 0.55% 1.928%, 4/30/18	355	356
UBS Group Funding Jersey 2.95%, 9/24/20 (1)	1,015	1,024
UBS Group Funding Switzerland, VR 3M USD LIBOR + 1.22% 2.682%, 5/23/23 (1)	590	599
		66,208

(Amounts in 000s)	Par/Shares	$ Value
Brokerage Asset Managers Exchanges 0.1%		
CBOE Holdings 1.95%, 6/28/19	410	408
Legg Mason 2.70%, 7/15/19	45	45
		453
Finance Companies 1.0%		
Aercap Ireland Capital 3.95%, 2/1/22	785	810
Air Lease 2.125%, 1/15/18	270	270
Air Lease 2.125%, 1/15/20	890	884
Aircastle 4.625%, 12/15/18	1,000	1,015
GATX 2.375%, 7/30/18	640	640
GATX 2.50%, 7/30/19	485	484
GATX 2.60%, 3/30/20	580	580
		4,683
Insurance 2.7%		
AIA Group 2.25%, 3/11/19 (1)	200	199
Anthem 2.30%, 7/15/18	775	775
Anthem 2.50%, 11/21/20	475	474
Aon 2.80%, 3/15/21	970	973
CNA Financial 6.95%, 1/15/18	200	200
CNO Financial Group 4.50%, 5/30/20	1,940	1,989
Humana 2.625%, 10/1/19	745	746
Marsh & McLennan Companies 2.55%, 10/15/18	170	170
MetLife Global Funding I 1.50%, 1/10/18 (1)	1,250	1,250
Pricoa Global Funding I 1.90%, 9/21/18 (1)	1,360	1,358
Principal Life Global Funding II 1.50%, 4/18/19 (1)	415	411
Principal Life Global Funding II 2.20%, 4/8/20 (1)	1,545	1,538
Provident 7.00%, 7/15/18	175	179
Reinsurance Group of America 6.45%, 11/15/19	810	867
Trinity Acquisition 3.50%, 9/15/21	255	258
XLIT 2.30%, 12/15/18	585	585
		11,972
Real Estate Investment Trusts 1.1%		
American Campus Communities Operating Partnership, REIT 3.35%, 10/1/20	700	713
Brixmor Operating Partnership REIT, 3.875%, 8/15/22	115	118
Kimco Realty, REIT 6.875%, 10/1/19	300	323
Ventas Realty, REIT 2.00%, 2/15/18	500	500
Ventas Realty, REIT 4.00%, 4/30/19	85	86
VEREIT Operating Partnership REIT 3.00%, 2/6/19	1,980	1,987
WEA Finance, REIT 2.70%, 9/17/19 (1)	1,110	1,117
		4,844
Total Financial Institutions		**88,160**
Industrial 26.7%		
Basic Industry 2.4%		
Anglo American Capital 3.625%, 5/14/20 (1)	435	443
Anglo American Capital 9.375%, 4/8/19 (1)	1,051	1,139
Ecolab 1.55%, 1/12/18	1,355	1,355
Ecolab 2.00%, 1/14/19	690	688
GoldCorp 2.125%, 3/15/18	725	725
Invista Finance 4.25%, 10/15/19 (1)	1,480	1,507

(Amounts in 000s)	Par/Shares	$ Value
LyondellBasell Industries 5.00%, 4/15/19	270	277
LyondellBasell Industries 6.00%, 11/15/21	415	461
Packaging Corporation of America 2.45%, 12/15/20	410	411
Sherwin Williams 2.25%, 5/15/20	2,010	2,004
Solvay Finance 3.40%, 12/3/20 (1)	705	718
Westlake Chemical 4.625%, 2/15/21	835	856
		10,584
Capital Goods 1.5%		
Arconic 5.72%, 2/23/19	100	103
Boral Finance 3.00%, 11/1/22 (1)	100	99
Fortive 1.80%, 6/15/19	105	104
Harris 1.999%, 4/27/18	1,140	1,139
Honeywell International 1.80%, 10/30/19	795	791
Martin Marietta Material, VR 3M USD LIBOR + 0.65% 2.096%, 5/22/20	215	215
Martin Marietta Material, VR 3M USD LIBOR + 0.50% 2.126%, 12/20/19	445	446
Rockwell Collins 1.95%, 7/15/19	300	299
Roper Industries 2.05%, 10/1/18	1,935	1,934
Roper Technologies 3.00%, 12/15/20	150	152
Stanley Black & Decker 1.622%, 11/17/18	1,150	1,145
Vulcan Materials, VR 3M USD LIBOR + 0.60% 2.189%, 6/15/20	520	521
		6,948
Communications 3.7%		
AT&T 2.30%, 3/11/19	1,075	1,075
Bellsouth, STEP 4.285%, 4/26/21 (1)	2,935	2,975

(Amounts in 000s)	Par/Shares	$ Value
Charter Communications Operating 3.579%, 7/23/20	920	937
Charter Communications Operating 4.464%, 7/23/22	445	463
Crown Castle International 2.25%, 9/1/21	385	378
Crown Castle International 3.40%, 2/15/21	600	612
Crown Castle Towers 6.113%, 1/15/40 (1)	1,190	1,250
Discovery Communications 2.20%, 9/20/19	380	378
Interpublic Group of Companies 4.00%, 3/15/22	235	243
Omnicom Group 4.45%, 8/15/20	500	524
S&P Global 2.50%, 8/15/18	125	125
SBA Tower Trust 2.24%, 4/9/43 (1)	215	215
SBA Tower Trust 2.898%, 10/11/44 (1)	1,640	1,645
SBA Tower Trust 3.598%, 4/15/18 (1)	260	260
SBA Tower Trust 3.598%, 4/15/43 (1)	180	180
Telecom Italia Capital 6.999%, 6/4/18	1,202	1,227
Telefonica Emisiones 3.192%, 4/27/18	520	522
Time Warner Cable 6.75%, 7/1/18	425	435
Time Warner Cable 8.25%, 4/1/19	1,960	2,095
Time Warner Cable 8.75%, 2/14/19	95	101
Viacom 2.75%, 12/15/19	845	845
Viacom 5.625%, 9/15/19	370	387
		16,872
Consumer Cyclical 5.1%		
Alibaba Group Holding 2.50%, 11/28/19	1,480	1,485
Aptiv 3.15%, 11/19/20	760	771

(Amounts in 000s)	Par/Shares	$ Value
AutoZone 1.625%, 4/21/19	125	124
Bestgain Real Estate 2.625%, 3/13/18	2,410	2,411
Brinker International 2.60%, 5/15/18	1,510	1,511
CVS Caremark 1.90%, 7/20/18	1,860	1,859
Daimler Finance North America 1.65%, 3/2/18 (1)	510	510
Diamler Finance North America 1.75%, 10/30/19 (1)	705	696
Daimler Finance North America 2.30%, 2/12/21 (1)	1,090	1,081
Daimler Finance North America 2.375%, 8/1/18 (1)	745	747
Daimler Finance North America, VR 3M USD LIBOR + 0.86% 2.237%, 8/1/18 (1)	295	296
D.R. Horton 2.55%, 12/1/20	365	364
eBay 2.15%, 6/5/20	540	536
Ford Motor Credit 2.021%, 5/3/19	655	652
Ford Motor Credit 2.375%, 1/16/18	1,000	1,000
Ford Motor Credit 2.551%, 10/5/18	905	907
General Motors Financial 3.10%, 1/15/19	545	549
GLP Capital 4.375%, 11/1/18	1,400	1,412
Hyundai Capital America 1.75%, 9/27/19 (1)	495	486
Hyundai Capital America 2.00%, 7/1/19 (1)	350	346
Hyundai Capital America 2.40%, 10/30/18 (1)	605	604
Hyundai Capital America 2.50%, 3/18/19 (1)	1,105	1,101
JD.com 3.125%, 4/29/21	1,040	1,037
Nissan Motor Acceptance 1.55%, 9/13/19 (1)	525	518
Nissan Motor Acceptance 2.15%, 9/28/20 (1)	335	332
QVC 3.125%, 4/1/19	1,486	1,493
Royal Caribbean Cruises 2.65%, 11/28/20	185	185
		23,013
Consumer Non-Cyclical 5.7%		
Abbott Laboratories 2.35%, 11/22/19	1,680	1,683
Abbott Laboratories 2.90%, 11/30/21	725	733
AbbVie 1.80%, 5/14/18	910	910
AbbVie 2.30%, 5/14/21	640	635
Allergan Funding 2.35%, 3/12/18	1,080	1,081
Anheuser-Busch InBev Finance 1.90%, 2/1/19	1,700	1,696
BAT Capital 2.297%, 8/14/20 (1)	1,075	1,069
Baxalta 2.00%, 6/22/18	95	95
Baxalta, VR 3M USD LIBOR + 0.78% 2.438%, 6/22/18	420	421
Becton Dickinson 2.404%, 6/5/20	785	780
Becton Dickinson 2.675%, 12/15/19	1,010	1,014
Biogen Idec 2.90%, 9/15/20	445	451
Bunge Limited Finance 3.50%, 11/24/20	380	387
Bunge Limited Finance 8.50%, 6/15/19	230	249
Catholic Health Initiatives 2.60%, 8/1/18	230	231
Danone 1.691%, 10/30/19 (1)	1,655	1,630
Express Scripts Holding 2.25%, 6/15/19	115	115
Express Scripts Holding, VR 3M USD LIBOR + 0.75% 2.229%, 11/30/20	1,100	1,102
HCA 3.75%, 3/15/19	1,310	1,323
Imperial Tobacco Finance 2.05%, 2/11/18 (1)	1,710	1,710

(Amounts in 000s)	Par/Shares	$ Value
Imperial Tobacco Finance 2.05%, 7/20/18 (1)	220	220
Johnson & Johnson 1.95%, 11/10/20	340	339
Kroger 1.50%, 9/30/19	309	304
Kroger 2.30%, 1/15/19	230	230
Medco Health Solutions 4.125%, 9/15/20	515	534
Newell Rubbermaid 2.15%, 10/15/18	945	945
Newell Rubbermaid 2.60%, 3/29/19	233	233
Reynolds American 2.30%, 6/12/18	425	425
Reynolds American 8.125%, 6/23/19	265	287
Shire Acquisition Investments, Ireland 1.90%, 9/23/19	1,915	1,898
Teva Pharmaceutical Finance III 1.40%, 7/20/18	1,225	1,215
Teva Pharmaceutical Finance III 1.70%, 7/19/19	1,283	1,245
Tyson Foods 2.25%, 8/23/21	405	400
		25,590
Energy 2.7%		
Canadian Natural Resources 1.75%, 1/15/18	395	395
Cenovus Energy 5.70%, 10/15/19	475	499
Columbia Pipeline Group 2.45%, 6/1/18	255	255
DCP Midstream 9.75%, 3/15/19 (1)	1,000	1,081
EnCana 6.50%, 5/15/19	415	436
Energy Transfer Partners 6.70%, 7/1/18	130	133
Enterprise Products Operations 2.55%, 10/15/19	15	15
ExxonMobil, VR 3M USD LIBOR + 0.37% 1.879%, 3/6/22	1,395	1,406
Hess 8.125%, 2/15/19	370	392
Kinder Morgan Energy Partners 5.95%, 2/15/18	405	407
Kinder Morgan Finance 6.00%, 1/15/18 (1)	500	501
Nustar Energy, STEP 8.15%, 4/15/18	1,925	1,956
ONEOK Partners 3.20%, 9/15/18	1,380	1,389
Panhandle Eastern Pipeline 7.00%, 6/15/18	520	531
Phillips 66, VR 3M USD LIBOR + 0.65% 2.009%, 4/15/19 (1)	350	350
Plains All American Pipeline 5.75%, 1/15/20	295	311
Sabine Pass Liquefaction 5.625%, 2/1/21	675	721
Spectra Energy Partners 2.95%, 9/25/18	810	814
Valero Energy 9.375%, 3/15/19	495	536
		12,128
Technology 3.5%		
Apple 1.80%, 11/13/19	1,050	1,046
Baidu 2.75%, 6/9/19	1,005	1,007
Broadcom 2.375%, 1/15/20 (1)	1,110	1,103
Broadcom 3.00%, 1/15/22 (1)	1,040	1,033
DXC Technology 2.875%, 3/27/20	645	648
DXC Technology, VR 3M USD LIBOR + 0.95% 2.431%, 3/1/21	1,260	1,270
EMC 1.875%, 6/1/18	2,110	2,107
Equifax 2.30%, 6/1/21	225	219
Fidelity National Information Services 2.25%, 8/15/21	780	768
Hewlett Packard Enterprise 2.10%, 10/4/19 (1)	400	397
Hewlett Packard Enterprise STEP, 2.85%, 10/5/18	605	608

(Amounts in 000s)	Par/Shares	$ Value
Jabil Circuit 8.25%, 3/15/18	815	825
Keysight Technologies 3.30%, 10/30/19	1,415	1,430
Qualcomm 2.10%, 5/20/20	405	403
Seagate Tech 3.75%, 11/15/18	585	592
Tencent Holdings 2.875%, 2/11/20 (1)	255	256
Tencent Holdings 3.375%, 5/2/19 (1)	835	845
Xerox 2.75%, 3/15/19	445	445
Xerox 5.625%, 12/15/19	765	805
		15,807
Transportation 2.1%		
Air Canada, Series 2013-1C 6.625%, 5/15/18 (1)	1,315	1,332
Delta Air Lines 2.60%, 12/4/20	280	279
Delta Air Lines 2.875%, 3/13/20	1,265	1,271
ERAC USA Finance 2.35%, 10/15/19 (1)	70	70
ERAC USA Finance 2.80%, 11/1/18 (1)	30	30
HPHT Finance 15 2.25%, 3/17/18 (1)	905	905
J.B. Hunt Transportation Services 2.40%, 3/15/19	80	80
Kansas City Southern 2.35%, 5/15/20	1,155	1,149
Penske Truck Leasing 2.50%, 6/15/19 (1)	660	661
Penske Truck Leasing 2.875%, 7/17/18 (1)	1,565	1,572
Penske Truck Leasing 3.375%, 3/15/18 (1)	1,140	1,143
Southwest Airlines 2.75%, 11/6/19	320	323
United Parcel Service 2.50%, 4/1/23	735	729
		9,544
Total Industrial		**120,486**

(Amounts in 000s)	Par/Shares	$ Value
Utility 2.1%		
Electric 2.1%		
CMS Energy 8.75%, 6/15/19	175	190
Dominion Resources 1.50%, 9/30/18 (1)	395	393
Dominion Resources 1.875%, 1/15/19	185	184
Dominion Resources 2.125%, 2/15/18 (1)	1,125	1,125
Dominion Resources, STEP 2.579%, 7/1/20	270	270
Dominion Resources, STEP 2.962%, 7/1/19	240	242
EDP Finance 6.00%, 2/2/18 (1)	297	298
Enel Finance International 2.875%, 5/25/22 (1)	770	765
Eversource Energy 1.60%, 1/15/18	415	415
Exelon Generation 2.95%, 1/15/20	480	485
Exelon Generation 5.20%, 10/1/19	136	142
FirstEnergy 2.85%, 7/15/22	585	578
National Rural Utilities Cooperative Finance 1.65%, 2/8/19	275	274
NextEra Energy Capital Holdings 1.649%, 9/1/18	290	289
NextEra Energy Capital Holdings 2.30%, 4/1/19	285	285
Origin Energy Finance 3.50%, 10/9/18 (1)	985	987
PPL Capital Funding 1.90%, 6/1/18	100	100
San Diego Gas & Electric 1.914%, 2/1/22	174	171
Southern Company 1.55%, 7/1/18	270	269
Southern Company 1.85%, 7/1/19	955	950
Southern Company 2.35%, 7/1/21	210	209

(Amounts in 000s)	Par/Shares	$ Value
TECO Finance, VR 3M USD LIBOR + 0.60% 1.95%, 4/10/18	715	715
Total Utility		**9,336**
Total Corporate Bonds (Cost $218,265)		**217,982**
ASSET-BACKED SECURITIES 19.3%		
Car Loan 11.7%		
Ally Auto Receivables Trust, Series 2014-1 Class C 2.04%, 12/15/19	110	110
Ally Auto Receivables Trust, Series 2014-1 Class D 2.48%, 2/15/21	110	110
Ally Auto Receivables Trust, Series 2015-1 Class A4 1.75%, 5/15/20	175	175
Ally Auto Receivables Trust, Series 2015-2 Class C 2.41%, 1/15/21 (1)	750	751
Ally Auto Receivables Trust, Series 2016-1 Class D 2.84%, 9/15/22	260	261
Ally Auto Receivables Trust, Series 2017-2 Class C 2.46%, 9/15/22	505	502
Ally Auto Receivables Trust, Series 2017-2 Class D 2.93%, 11/15/23	135	134
Ally Master Owner Trust Series 2017-2, Class A VR, 1M USD LIBOR + 0.34%, 1.817%, 6/15/21	275	275
Ally Master Owner Trust Series 2017-3, Class A1 VR, 1M USD LIBOR + 0.43%, 1.907%, 6/15/22	205	206

(Amounts in 000s)	Par/Shares	$ Value
AmeriCredit Automobile Receivables Trust, Series 2014-1, Class E 3.58%, 8/9/21 (1)	260	263
AmeriCredit Automobile Receivables Trust, Series 2014-2, Class B 1.60%, 7/8/19	39	39
AmeriCredit Automobile Receivables Trust, Series 2014-2, Class E 3.37%, 11/8/21 (1)	545	550
AmeriCredit Automobile Receivables Trust, Series 2014-3, Class C 2.58%, 9/8/20	205	206
AmeriCredit Automobile Receivables Trust, Series 2014-3, Class D 3.13%, 10/8/20	640	646
AmeriCredit Automobile Receivables Trust, Series 2014-3, Class E 3.72%, 3/8/22 (1)	240	242
AmeriCredit Automobile Receivables Trust, Series 2014-4, Class C 2.47%, 11/9/20	340	341
AmeriCredit Automobile Receivables Trust, Series 2014-4, Class E 3.66%, 3/8/22	225	227
AmeriCredit Automobile Receivables Trust, Series 2015-1, Class A3 1.26%, 11/8/19	15	15
AmeriCredit Automobile Receivables Trust, Series 2015-2, Class A3 1.27%, 1/8/20	61	61
AmeriCredit Automobile Receivables Trust, Series 2015-2, Class D 3.00%, 6/8/21	775	783
AmeriCredit Automobile Receivables Trust, Series 2015-3, Class D 3.34%, 8/8/21	460	466
AmeriCredit Automobile Receivables Trust, Series 2015-4, Class A3 1.70%, 7/8/20	247	247

(Amounts in 000s)	Par/Shares	$ Value
AmeriCredit Automobile Receivables Trust, Series 2016-1, Class A3 1.81%, 10/8/20	113	113
AmeriCredit Automobile Receivables Trust, Series 2016-1, Class C 2.89%, 1/10/22	795	800
AmeriCredit Automobile Receivables Trust, Series 2016-3, Class C 2.24%, 4/8/22	610	606
AmeriCredit Automobile Receivables Trust, Series 2016-3, Class D 2.71%, 9/8/22	545	541
AmeriCredit Automobile Receivables Trust, Series 2016-4, Class A3 1.53%, 7/8/21	605	601
AmeriCredit Automobile Receivables Trust, Series 2016-4, Class D 2.74%, 12/8/22	1,365	1,353
AmeriCredit Automobile Receivables Trust, Series 2017-1, Class C 2.71%, 8/18/22	225	225
AmeriCredit Automobile Receivables Trust, Series 2017-3, Class B 2.24%, 6/19/23	265	263
AmeriCredit Automobile Receivables Trust, Series 2017-3, Class C 2.69%, 6/19/23	280	279
ARI Fleet Lease Trust Series 2015-A, Class A2 1.11%, 11/15/18 (1)	17	17
ARI Fleet Lease Trust Series 2015-A, Class A3 1.67%, 9/15/23 (1)	625	623
ARI Fleet Lease Trust Series 2016-A, Class A2 1.82%, 7/15/24 (1)	410	409
ARI Fleet Lease Trust Series 2017-A, Class A2 1.91%, 4/15/26 (1)	190	190
Avis Budget Rental Car Funding, Series 2012-3A Class A 2.10%, 3/20/19 (1)	407	406

(Amounts in 000s)	Par/Shares	$ Value
Avis Budget Rental Car Funding, Series 2013-1A Class A 1.92%, 9/20/19 (1)	669	668
Avis Budget Rental Car Funding, Series 2013-2A Class A 2.97%, 2/20/20 (1)	1,011	1,018
Avis Budget Rental Car Funding, Series 2013-2A Class B 3.66%, 2/20/20 (1)	400	404
Avis Budget Rental Car Funding, Series 2014-1A Class A 2.46%, 7/20/20 (1)	225	225
Avis Budget Rental Car Funding, Series 2014-2A Class A 2.50%, 2/20/21 (1)	1,290	1,290
Avis Budget Rental Car Funding, Series 2015-1A Class A 2.50%, 7/20/21 (1)	600	599
BMW Vehicle Lease Trust Series 2016-2, Class A3 1.43%, 9/20/19	340	339
BMW Vehicle Lease Trust Series 2017-1, Class A3 1.98%, 5/20/20	675	674
BMW Vehicle Lease Trust Series 2017-2, Class A3 2.07%, 10/20/20	430	429
California Republic Auto Receivables Asset Trust Series 2015-1, Class B 2.51%, 2/16/21	195	195
Capital Auto Receivables Asset Trust, Series 2013-4, Class D 3.22%, 5/20/19	152	152
Capital Auto Receivables Asset Trust, Series 2015-2, Class A3 1.73%, 9/20/19	129	129
Capital Auto Receivables Asset Trust, Series 2015-3, Class A3 1.94%, 1/21/20	782	782

(Amounts in 000s)	Par/Shares	$ Value
Capital Auto Receivables Asset Trust, Series 2015-4, Class A2 1.62%, 3/20/19	55	54
Capital Auto Receivables Asset Trust, Series 2016-1, Class A3 1.73%, 4/20/20	329	329
Capital Auto Receivables Asset Trust, Series 2016-2, Class A4 1.63%, 1/20/21	280	278
Capital Auto Receivables Asset Trust, Series 2016-3, Class A3 1.54%, 8/20/20	190	189
Capital Auto Receivables Asset Trust, Series 2017-1, Class B 2.43%, 5/20/22 (1)	110	109
Capital Auto Receivables Asset Trust, Series 2017-1, Class C 2.70%, 9/20/22 (1)	175	175
CarMax Auto Owner Trust Series 2014-1, Class B 1.69%, 8/15/19	35	35
CarMax Auto Owner Trust Series 2014-1, Class C 1.93%, 11/15/19	50	50
CarMax Auto Owner Trust Series 2014-4, Class A4 1.81%, 7/15/20	220	220
Carmax Auto Owner Trust Series 2015-3, Class D 3.27%, 3/15/22	320	321
CarMax Auto Owner Trust Series 2016-1, Class A3 1.61%, 11/16/20	863	861
CarMax Auto Owner Trust Series 2016-4, Class A3 1.40%, 8/15/21	235	233
Carmax Auto Owner Trust Series 2017-4, Class C 2.70%, 10/16/23	150	149
Chrysler Capital Auto Receivables Trust, Series 2016-BA, Class A2 1.36%, 1/15/20 (1)	73	73

(Amounts in 000s)	Par/Shares	$ Value
Chrysler Capital Auto Receivables Trust, Series 2016-BA, Class A3 1.64%, 7/15/21 (1)	190	189
Enterprise Fleet Financing Series 2015-1, Class A2 1.30%, 9/20/20 (1)	17	17
Enterprise Fleet Financing Series 2015-2, Class A2 1.59%, 2/22/21 (1)	294	294
Enterprise Fleet Financing Series 2016-1, Class A2 1.83%, 9/20/21 (1)	961	961
Enterprise Fleet Financing Series 2016-2, Class A2 1.74%, 2/22/22 (1)	301	300
Enterprise Fleet Financing Series 2017-1, Class A2 2.13%, 7/20/22 (1)	259	259
Enterprise Fleet Financing Series 2017-2, Class A2 1.97%, 1/20/23 (1)	280	279
Enterprise Fleet Financing Series 2017-3, Class A2 2.13%, 5/22/23 (1)	1,155	1,153
Ford Credit Auto Lease Trust, Series 2017-A Class A4, 2.02%, 6/15/20	460	459
Ford Credit Auto Owner Trust, Series 2015-C Class A3, 1.41%, 2/15/20	653	652
Ford Credit Floorplan Master Owner Trust Series 2015-1, Class A1 1.42%, 1/15/20	505	505
Ford Credit Floorplan Master Owner Trust Series 2016-3, Class A1 1.55%, 7/15/21	595	590
Ford Credit Floorplan Master Owner Trust Series 2016-3, Class B 1.75%, 7/15/21	285	282
Ford Credit Floorplan Master Owner Trust Series 2017-1, Class B 2.25%, 5/15/22	620	615
Ford Credit Floorplan Master Owner Trust Series 2017-2, Class B 2.34%, 9/15/22	2,260	2,252

(Amounts in 000s)	Par/Shares	$ Value
General Motors Financial Automobile Leasing Trust Series 2015-1, Class D 3.01%, 3/20/20	205	205
General Motors Financial Automobile Leasing Trust Series 2016-1, Class A3 1.64%, 7/20/19	884	883
General Motors Financial Automobile Leasing Trust Series 2017-1, Class A4 2.26%, 8/20/20	110	110
General Motors Financial Automobile Leasing Trust Series 2017-3, Class A4 2.12%, 9/20/21	125	124
General Motors Financial Automobile Leasing Trust Series 2017-3, Class C 2.73%, 9/20/21	200	198
General Motors Financial Automobile Leasing Trust Series 2017-3A, Class B 2.33%, 3/16/23 (1)	760	753
General Motors Financial Automobile Leasing Trust Series 2017-3A, Class C 2.52%, 3/16/23 (1)	895	887
GMF Floorplan Owner Revolving Trust Series 2015-1, Class A1 1.65%, 5/15/20 (1)	440	440
GMF Floorplan Owner Revolving Trust Series 2015-1, Class C 2.22%, 5/15/20 (1)	410	410
GMF Floorplan Owner Revolving Trust Series 2016-1, Class B 2.41%, 5/17/21 (1)	150	150
GMF Floorplan Owner Revolving Trust Series 2016-1, Class C 2.85%, 5/17/21 (1)	100	100
GMF Floorplan Owner Revolving Trust Series 2017-1, Class C 2.97%, 1/18/22 (1)	1,238	1,236
GMF Floorplan Owner Revolving Trust Series 2017-3, Class C 2.26%, 8/16/21 (1)	1,245	1,237

(Amounts in 000s)	Par/Shares	$ Value
GMF Floorplan Owner Revolving Trust Series 2017-3, Class C 2.46%, 8/16/21 (1)	1,245	1,237
Hyundai Auto Lease Securitization Trust Series 2015-B, Class A3 1.40%, 11/15/18 (1)	31	31
Hyundai Auto Lease Securitization Trust Series 2016-A, Class A3 1.60%, 7/15/19 (1)	464	464
Hyundai Auto Lease Securitization Trust Series 2016-B, Class A4 1.68%, 4/15/20 (1)	100	100
Hyundai Auto Lease Securitization Trust Series 2016-C, Class A4 1.65%, 7/15/20 (1)	465	463
Hyundai Auto Receivables Trust, Series 2015-A Class A3, 1.05%, 4/15/19	51	51
Hyundai Auto Receivables Trust, Series 2017-A Class B, 2.38%, 4/17/23	220	219
Mercedes-Benz Auto Lease Trust, Series 2016-A Class A3, 1.52%, 3/15/19	570	570
Nissan Auto Lease Trust Series 2016-B, Class A4 1.61%, 1/18/22	435	433
Nissan Auto Lease Trust Series 2017-B, Class A4 2.17%, 12/15/21	915	911
Nissan Master Owner Trust Receivables, Series 2015-A, Class A2 1.44%, 1/15/20	480	480
Nissan Master Owner Trust Receivables, Series 2017-B, Class A, VR 1M USD LIBOR + 0.43% 1.907%, 4/18/22	405	407
Santander Drive Auto Receivables Trust, Series 2013-5, Class E 3.73%, 3/15/21 (1)	1,175	1,183
Santander Drive Auto Receivables Trust, Series 2014-3, Class D 2.65%, 8/17/20	90	90

(Amounts in 000s)	Par/Shares	$ Value
Santander Drive Auto Receivables Trust, Series 2015-3, Class D 3.49%, 5/17/21	700	710
Santander Drive Auto Receivables Trust, Series 2015-4, Class C 2.97%, 3/15/21	401	404
Santander Drive Auto Receivables Trust, Series 2015-4, Class D 3.53%, 8/16/21	355	361
Santander Drive Auto Receivables Trust, Series 2015-5, Class C 2.74%, 12/15/21	1,040	1,045
Santander Drive Auto Receivables Trust, Series 2015-5, Class D 3.65%, 12/15/21	485	492
Santander Drive Auto Receivables Trust, Series 2016-1, Class B 2.47%, 12/15/20	255	255
Santander Drive Auto Receivables Trust, Series 2016-1, Class D 4.02%, 4/15/22	300	308
Santander Drive Auto Receivables Trust, Series 2016-3, Class C 2.46%, 3/15/22	202	202
Santander Drive Auto Receivables Trust, Series 2017-1, Class B 2.10%, 6/15/21	75	75
Santander Drive Auto Receivables Trust, Series 2017-1, Class C 2.58%, 5/16/22	95	95
Santander Drive Auto Receivables Trust, Series 2017-3, Class B 2.19%, 3/15/22	395	393
Santander Retail Auto Lease Trust, Series 2017-A Class A3 2.22%, 1/20/21 (1)	290	289
Santander Retail Auto Lease Trust, Series 2017-A Class C 2.96%, 11/21/22 (1)	240	240
Smart Trust Australia Series 2015-3US Class A3A 1.66%, 8/14/19	525	524
Smart Trust Australia Series 2016-2US Class A2A 1.45%, 8/14/19	600	599
Suntrust Auto Receivables Trust, Series 2015-1A Class A3 1.42%, 9/16/19 (1)	191	191
Volkswagen Auto Loan Enhanced Trust Series 2014-2, Class A4 1.39%, 5/20/21	345	344
Wheels, Series 2015-1A Class A2 1.27%, 4/22/24 (1)	39	39
Wheels, Series 2016-1A Class A2 1.59%, 5/20/25 (1)	136	135
World Omni Auto Lease Securization Series 2016-A, Class A3 1.45%, 8/15/19	775	771
World Omni Auto Lease Securization Series 2017-A, Class A4 2.32%, 8/15/22	180	180
		52,847
Credit Card 0.4%		
Synchrony Credit Card Master Note Trust Series 2013-1, Class B 1.69%, 3/15/21	515	515
Synchrony Credit Card Master Note Trust Series 2015-1, Class B 2.64%, 3/15/23	395	394
Synchrony Credit Card Master Note Trust Series 2016-2, Class C 2.95%, 5/15/24	815	814
		1,723
Other Asset-Backed Securities 6.3%		
Allegro, Series 2015-1A Class AR, CLO, VR 3M USD LIBOR + 0.84% 2.482%, 7/25/27 (1)	900	900

(Amounts in 000s)	Par/Shares	$ Value
ALM Loan Funding, Series 2014-14A, Class A1R CLO, VR 3M USD LIBOR + 1.15% 2.528%, 7/28/26 (1)	285	285
ALM Loan Funding, Series 2014-14A, Class A2R CLO, VR 3M USD LIBOR + 1.55% 2.928%, 7/28/26 (1)	325	325
Ascentium Equipment Receivables, Series 2015-2A, Class A3 1.93%, 3/11/19 (1)	308	308
Ascentium Equipment Receivables, Series 2016-2A, Class A2 1.46%, 4/10/19 (1)	114	114
Ascentium Equipment Receivables, Series 2017-1A, Class A2 1.87%, 7/10/19 (1)	225	225
Ascentium Equipment Receivables, Series 2017-1A, Class A3 2.29%, 6/10/21 (1)	225	224
Ascentium Equipment Receivables, Series 2017-2A, Class A3 2.31%, 12/10/21 (1)	655	651
Babson, Series 2013-IA Class AR, CLO, VR 3M USD LIBOR + 0.80% 2.315%, 1/20/28 (1)	1,125	1,125
Carlyle Global Markets Strategies, Series 2014-2A, Class AR, CLO, VR 3M USD LIBOR + 1.25% 2.666%, 5/15/25 (1)	1,590	1,601
Carlyle Global Markets Strategies, Series 2015-1A, Class AR, CLO, VR 3M USD LIBOR + 1.00% 2.363%, 4/20/27 (1)	615	615
CCG Receivables Trust Series 2015-1, Class A2 1.46%, 11/14/18 (1)	31	31
CCG Receivables Trust Series 2015-1, Class B 2.60%, 1/17/23 (1)	530	531

(Amounts in 000s)	Par/Shares	$ Value
CCG Receivables Trust Series 2016-1, Class A2 1.69%, 9/14/22 (1)	183	183
CNH Equipment Trust Series 2014-C, Class A3 1.05%, 11/15/19	24	23
CNH Equipment Trust Series 2015-B, Class A3 1.37%, 7/15/20	381	380
CNH Equipment Trust Series 2016-C, Class A3 1.44%, 12/15/21	410	406
Diamond Resorts Owner Trust, Series 2013-2 Class A 2.27%, 5/20/26 (1)	95	95
Diamond Resorts Owner Trust, Series 2014-1 Class A 2.54%, 5/20/27 (1)	108	107
Diamond Resorts Owner Trust, Series 2015-1 Class A 2.73%, 7/20/27 (1)	89	89
Diamond Resorts Owner Trust, Series 2015-2 Class A 2.99%, 5/22/28 (1)	134	133
Elara HGV Timeshare Issuer, Series 2014-A Class A 2.53%, 2/25/27 (1)	38	37
Elara HGV Timeshare Issuer, Series 2017-A Class A 2.69%, 3/25/30 (1)	299	297
GreatAmerica Leasing Receivables, Series 2016-1, Class A3 1.73%, 6/20/19 (1)	1,044	1,043
GreatAmerica Leasing Receivables, Series 2017-1, Class A2 1.72%, 4/22/19 (1)	90	90
GreatAmerica Leasing Receivables, Series 2017-1, Class A3 2.06%, 6/22/20 (1)	100	100

(Amounts in 000s)	Par/Shares	$ Value
Halcyon Loan Advisors Funding, Series 2014-3A Class B1R, CLO, VR 3M USD LIBOR + 1.70% 3.063%, 10/22/25 (1)	505	504
Hilton Grand Vacation Trust, Series 2014-AA Class A 1.77%, 11/25/26 (1)	717	706
Hilton Grand Vacation Trust, Series 2017-AA Class A 2.66%, 12/26/28 (1)	289	287
Hilton Grand Vacation Trust, Series 2017-AA Class B, VR 2.96%, 12/26/28 (1)	100	100
John Deere Owner Trust Series 2015-A, Class A3 1.32%, 6/17/19	60	60
John Deere Owner Trust Series 2015-A, Class A4 1.65%, 12/15/21	1,359	1,357
John Deere Owner Trust Series 2016-A, Class A3 1.36%, 4/15/20	568	566
KKR Financial, Series 12 Class A1R, CLO, VR 3M USD LIBOR + 1.05% 2.409%, 7/15/27 (1)	1,025	1,027
Kubota Credit Owner Trust, Series 2015-1A Class A3 1.54%, 3/15/19 (1)	196	196
Kubota Credit Owner Trust, Series 2016-1A Class A3 1.50%, 7/15/20 (1)	245	243
Madison Park Funding Series 2014-14A, Class A2R, CLO, VR 3M USD LIBOR + 1.12% 2.483%, 7/20/26 (1)	700	703
Madison Park Funding Series 2015-18A, Class A1R, CLO, VR 3M USD LIBOR + 1.19% 2.553%, 10/21/30 (1)	675	678
Marriott Vacation Club Owner Trust, Series 2013-1A, Class A 2.15%, 4/22/30 (1)	505	499
Marriott Vacation Club Owner Trust, Series 2014-1A, Class A 2.25%, 9/22/31 (1)	56	56
Marriott Vacation Club Owner Trust, Series 2015-1A, Class A 2.52%, 12/20/32 (1)	392	390
Marriott Vacation Club Owner Trust, Series 2017-1A, Class A 2.42%, 12/20/34 (1)	168	167
Marriott Vacation Club Owner Trust, Series 2017-1A, Class B 2.75%, 12/20/34 (1)	96	95
Marriott Vacation Club Owner Trust, Series 2017-1A, Class C 2.99%, 12/20/34 (1)	159	157
MMAF Equipment Finance, Series 2014-AA Class A3 0.87%, 1/8/19 (1)	39	38
MMAF Equipment Finance, Series 2015-AA Class A3 1.39%, 10/16/19 (1)	52	52
MMAF Equipment Finance, Series 2017-AA Class A2 1.73%, 5/18/20 (1)	244	244
Neuberger Berman, Series 2015-19A, Class A1R CLO, VR 3M USD LIBOR + 1.05% 2.409%, 7/15/27 (1)	250	251
Neuberger Berman, Series 2017-16SA, Class A CLO, VR 3M USD LIBOR + 0.85% 1.625%, 1/15/28 (1)	675	675
OCP, Series 2015-10A Class A1R, CLO, VR 3M USD LIBOR + 0.82% 2.191%, 10/26/27 (1)	1,035	1,035
OZLM, Series 2014-8A Class A1AR, CLO, VR 3M USD LIBOR + 1.13% 2.483%, 10/17/26 (1)	795	796

(Amounts in 000s)	Par/Shares	$ Value
Sierra Receivables Funding Series 2014-2A, Class A 2.05%, 6/20/31 (1)	25	25
Sierra Receivables Funding Series 2014-3A, Class A 2.30%, 10/20/31 (1)	72	72
Sierra Receivables Funding Series 2015-1A, Class A 2.40%, 3/22/32 (1)	340	339
Sierra Receivables Funding Series 2015-2A, Class A 2.43%, 6/20/32 (1)	149	148
Sierra Receivables Funding Series 2015-3A, Class A 2.58%, 9/20/32 (1)	190	190
Sierra Receivables Funding Series 2016-2A, Class A 2.33%, 7/20/33 (1)	159	158
Sierra Receivables Funding Series 2017-1A, Class A 2.91%, 3/20/34 (1)	248	248
Springleaf Funding Trust Series 2016-AA, Class A 2.90%, 11/15/29 (1)	948	949
Verizon Owner Trust Series 2016-2A, Class A 1.68%, 5/20/21 (1)	755	750
Verizon Owner Trust Series 2016-2A, Class B 2.15%, 5/20/21 (1)	520	517
Verizon Owner Trust Series 2016-2A, Class C 2.36%, 5/20/21 (1)	405	402
Verizon Owner Trust Series 2017-1A, Class B 2.45%, 9/20/21 (1)	160	160
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	1,226
Verizon Owner Trust Series 2017-3A, Class C 2.53%, 4/20/22 (1)	865	860
Volvo Financial Equipment, Series 2016-1A, Class A3 1.67%, 2/18/20 (1)	310	310
Volvo Financial Equipment, Series 2017-A, Class A, VR 1M USD LIBOR + 0.50% 1.977%, 11/15/22 (1)	175	175
Wendy's Funding, Series 2015-1A, Class A2I 3.371%, 6/15/45 (1)	1,002	1,005
		28,549
Student Loan 0.9%		
SLM Student Loan Trust Series 2008-4, Class A4 VR, 3M USD LIBOR + 1.65%, 3.017%, 7/25/22	418	428
SLM Student Loan Trust Series 2008-5, Class A4 VR, 3M USD LIBOR + 1.70%, 3.067%, 7/25/23	374	386
SLM Student Loan Trust Series 2008-9, Class A VR, 3M USD LIBOR + 1.50%, 2.867%, 4/25/23	261	267
SLM Student Loan Trust Series 2010-1, Class A VR, 1M USD LIBOR + 0.40%, 1.925%, 3/25/25	822	813
SLM Student Loan Trust Series 2013-A, Class B 2.50%, 3/15/47 (1)	270	268
SLM Student Loan Trust Series 2014-A, Class B 3.50%, 11/15/44 (1)	565	573
SMB Private Education Loan Trust, Series 2014-A, Class A2A 3.05%, 5/15/26 (1)	710	719
SMB Private Education Loan Trust, Series 2015-A, Class A2B, VR 1M USD LIBOR + 1.00% 2.477%, 6/15/27 (1)	393	399
		3,853
Total Asset-Backed Securities (Cost $87,223)		**86,972**

(Amounts in 000s)	Par/Shares	$ Value
NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 10.0%		
Collateralized Mortgage Obligations 5.3%		
Bank of America Mortgage Securities, Series 2004-A Class 2A2, CMO, ARM 3.594%, 2/25/34	14	14
Bayview Opportunity Master Fund, Series 2017-RT3, Class A CMO, ARM 3.50%, 1/28/58 (1)	1,270	1,295
Bayview Opportunity Master Fund, Series 2017-SPL4, Class A CMO, ARM 3.50%, 1/28/55 (1)	378	383
Bayview Opportunity Master Fund, Series 2017-SPL5, Class A CMO, ARM 3.50%, 6/28/57 (1)	1,088	1,102
Colt Funding, Series 2017-1, Class A1, CMO, ARM 2.614%, 5/27/47 (1)	549	549
Colt Funding, Series 2017-1, Class A3, CMO, ARM 3.074%, 5/27/47 (1)	67	67
Colt Funding, Series 2017-2, Class A1A, CMO, ARM 2.415%, 10/25/47 (1)	909	910
Colt Funding, Series 2017-2, Class A2A, CMO, ARM 2.568%, 10/25/47 (1)	386	386
Colt Funding, Series 2017-2, Class A3A, CMO, ARM 2.773%, 10/25/47 (1)	170	170
Connecticut Avenue Securities, Series 2016-C01, Class 2M1, CMO ARM, 1M USD LIBOR + 2.10%, 3.652%, 8/25/28	333	335
Connecticut Avenue Securities, Series 2016-C07, Class 2M1, CMO ARM, 1M USD LIBOR + 1.30%, 2.852%, 5/25/29	286	288
Connecticut Avenue Securities, Series 2017-C02, Class 2M1, CMO ARM, 1M USD LIBOR + 1.15%, 2.702%, 9/25/29	784	791
Connecticut Avenue Securities, Series 2017-C03, Class 1M1, CMO ARM, 1M USD LIBOR + 0.95%, 2.502% 10/25/29	850	857
Connecticut Avenue Securities, Series 2017-C04, Class 2M1, CMO ARM, 1M USD LIBOR + 0.85%, 2.402% 11/25/29	514	517
Connecticut Avenue Securities, Series 2017-C05, Class 1M1, CMO ARM, 1M USD LIBOR + 0.55%, 2.102%, 1/25/30	1,069	1,071
Connecticut Avenue Securities, Series 2017-C06, Class 1M1, CMO ARM, 1M USD LIBOR + 0.75%, 2.302%, 2/25/30	803	806
Connecticut Avenue Securities, Series 2017-C06, Class 2M1, CMO ARM, 1M USD LIBOR + 0.75%, 2.302%, 2/25/30	339	340
Deephaven Residential Mortgage Trust, Series 2017-3A, Class A1 CMO, ARM 2.577%, 10/25/47 (1)	887	887
Deephaven Residential Mortgage Trust, Series 2017-3A, Class A2 CMO, ARM 2.711%, 10/25/47 (1)	95	95
Deephaven Residential Mortgage Trust, Series 2017-3A, Class A3 CMO, ARM 2.813%, 10/25/47 (1)	95	95
Federal Home Loan Mortgage, Series 2017-SC01, Class M1 CMO, ARM 3.596%, 12/25/46 (1)	308	310

(Amounts in 000s)	Par/Shares	$ Value
Federal Home Loan Mortgage, Series 2017-SC02, Class M1 CMO, ARM 3.89%, 5/25/47 (1)	193	194
Federal Home Loan Mortgage, Series 2017-SPI1, Class M1 CMO, ARM 3.991%, 9/25/47 (1)	91	92
Goldman Sachs Mortgage-Backed Securities Trust Series 2014-EB1A, Class 2A1 CMO, ARM 2.467%, 7/25/44 (1)	74	73
Metlife Securitization Trust Series 2017-1A, Class A CMO, ARM 3.00%, 4/25/55 (1)	462	466
Mill City Mortgage Trust Series 2016-1, Class A1 CMO, ARM 2.50%, 4/25/57 (1)	156	155
Mill City Mortgage Trust Series 2017-2, Class A1 CMO, ARM 2.75%, 7/25/59 (1)	827	826
Structured Agency Credit Risk Debt Notes, Series 2015-DNA1, Class M1 CMO, ARM 1M USD LIBOR + 0.90% 2.452%, 10/25/27	52	52
Structured Agency Credit Risk Debt Notes, Series 2016-DNA1, Class M1 CMO, ARM 1M USD LIBOR + 1.45% 3.002%, 7/25/28	129	129
Structured Agency Credit Risk Debt Notes, Series 2016-HQA1, Class M1 CMO, ARM 1M USD LIBOR + 1.75% 3.302%, 9/25/28	37	37
Structured Agency Credit Risk Debt Notes, Series 2017-DNA1, Class M1 CMO, ARM 1M USD LIBOR + 1.20% 2.752%, 7/25/29	441	446
Structured Agency Credit Risk Debt Notes, Series 2017-DNA2, Class M1 CMO, ARM 1M USD LIBOR + 1.20% 2.752%, 10/25/29	969	985
Structured Agency Credit Risk Debt Notes, Series 2017-DNA3, Class M1 CMO, ARM 1M USD LIBOR + 0.75% 2.302%, 3/25/30	1,743	1,750
Structured Agency Credit Risk Debt Notes, Series 2017-HQA1, Class M1 CMO, ARM 1M USD LIBOR + 1.20% 2.752%, 8/25/29	834	842
Structured Agency Credit Risk Debt Notes, Series 2017-HQA2, Class M1 CMO, ARM 1M USD LIBOR + 0.80% 2.352%, 12/25/29	241	242
Structured Agency Credit Risk Debt Notes, Series 2017-HQA3, Class M1 CMO, ARM 1M USD LIBOR + 0.55% 2.102%, 4/25/30	246	246
Towd Point Mortgage Trust, Series 2015-4 Class A1B, CMO, ARM 2.75%, 4/25/55 (1)	533	533
Towd Point Mortgage Trust, Series 2015-5 Class A1B, CMO, ARM 2.75%, 5/25/55 (1)	438	438
Towd Point Mortgage Trust, Series 2016-1 Class A1B, CMO, ARM 2.75%, 2/25/55 (1)	245	245
Towd Point Mortgage Trust, Series 2016-1 Class A3B, CMO, ARM 3.00%, 2/25/55 (1)	310	311
Towd Point Mortgage Trust, Series 2016-2 Class A1A, CMO, ARM 2.75%, 8/25/55 (1)	201	201

(Amounts in 000s)	Par/Shares	$ Value
Towd Point Mortgage Trust, Series 2017-1 Class A1, CMO, ARM 2.75%, 10/25/56 (1)	687	686
Towd Point Mortgage Trust, Series 2017-2 Class A1, CMO, ARM 2.75%, 4/25/57 (1)	445	445
Towd Point Mortgage Trust, Series 2017-3 Class A1, CMO, ARM 2.75%, 7/25/57 (1)	935	934
Towd Point Mortgage Trust, Series 2017-4 Class A1, CMO, ARM 2.75%, 6/25/57 (1)	608	606
Towd Point Mortgage Trust, Series 2017-6 Class A1, CMO, ARM 2.75%, 10/25/57 (1)	1,768	1,761
WAMU Mortgage PTC Series 2005-AR12, Class 2A1, CMO, ARM 3.361%, 9/25/35	9	9
Wells Fargo Mortgage Backed Security Trust Series 2004-G, Class A3 CMO, ARM 3.349%, 6/25/34	8	8
		23,980
Commercial Mortgage-Backed Securities 4.6%		
Banc of America Commercial Mortgage Series 2007-BNK3, Class A1, 1.957%, 2/15/50	141	140
Bank of America Merrill Large Loan, Series 2014-IP, Class A, ARM 2.717%, 6/15/28 (1)	865	865
BX Trust, Series 2017-IMC Class B, ARM 1M USD LIBOR + 1.40% 2.877%, 10/15/32 (1)	1,100	1,100
BX Trust, Series 2017-IMC Class D, ARM 1M USD LIBOR + 2.25% 3.727%, 10/15/32 (1)	345	345
CD Commercial Mortgage Trust, Series 2017-CD3 Class A1 1.965%, 2/10/50	148	147

(Amounts in 000s)	Par/Shares	$ Value
Citigroup Commercial Mortgage Trust, Series 2013-GC17, Class A1 1.102%, 11/10/46	88	88
Citigroup Commercial Mortgage Trust, Series 2014-GC19, Class A1 1.199%, 3/10/47	2	2
Citigroup Commercial Mortgage Trust, Series 2014-GC21, Class A1 1.242%, 5/10/47	65	64
Citigroup Commercial Mortgage Trust, Series 2014-GC25, Class A1 1.485%, 10/10/47	13	13
Citigroup Commercial Mortgage Trust, Series 2015-GC27, Class A1 1.353%, 2/10/48	213	212
Citigroup Commercial Mortgage Trust, Series 2015-GC31, Class A1 1.637%, 6/10/48	349	347
Citigroup Commercial Mortgage Trust, Series 2015-GC33, Class A1 1.643%, 9/10/58	662	657
CLNS Trust, Series 2017-IKPR, Class A, ARM 1M USD LIBOR + 0.80% 2.232%, 6/11/32 (1)	340	340
CLNS Trust, Series 2017-IKPR, Class B, ARM 1M USD LIBOR + 1.00% 2.432%, 6/11/32 (1)	565	565
Commercial Mortgage PTC Series 2014-CR17, Class A1, 1.275%, 5/10/47	44	44
Commercial Mortgage PTC Series 2014-CR19, Class A1, 1.415%, 8/10/47	61	61
Commercial Mortgage PTC Series 2014-CR21, Class A1, 1.494%, 12/10/47	47	47
Commercial Mortgage PTC Series 2014-LC15, Class A1, 1.259%, 4/10/47	76	75
Commercial Mortgage PTC Series 2014-LC17, Class A1, 1.381%, 10/10/47	30	30

(Amounts in 000s)	Par/Shares	$ Value
Commercial Mortgage PTC Series 2014-TSC, Class A ARM, 1M USD LIBOR + 0.85%, 2.282% 2/13/32 (1)	130	130
Commercial Mortgage PTC Series 2014-UBS2, Class A1, 1.298%, 3/10/47	67	66
Commercial Mortgage PTC Series 2014-UBS4, Class A1, 1.309%, 8/10/47	9	9
Commercial Mortgage PTC Series 2014-UBS5, Class A1, 1.373%, 9/10/47	17	17
Commercial Mortgage PTC Series 2014-UBS6, Class A1, 1.445%, 12/10/47	83	83
Commercial Mortgage PTC Series 2015-CR22, Class A1, 1.569%, 3/10/48	72	72
Commercial Mortgage PTC Series 2015-CR24, Class A1, 1.652%, 8/10/48	101	100
Commercial Mortgage PTC Series 2015-CR26, Class A1, 1.604%, 10/10/48	1,527	1,516
Commercial Mortgage PTC Series 2015-LC23, Class A2, 3.221%, 10/10/48	1,025	1,046
Commercial Mortgage PTC Series 2015-PC1, Class A1, 1.667%, 7/10/50	384	384
Commercial Mortgage PTC Series 2016-CR28, Class A1, 1.77%, 2/10/49	226	225
CSAIL Commercial Mortgage Trust, Series 2015-C1, Class A1 1.684%, 4/15/50	140	140
CSAIL Commercial Mortgage Trust, Series 2015-C2, Class A1 1.454%, 6/15/57	551	547
CSAIL Commercial Mortgage Trust, Series 2015-C3, Class A1 1.717%, 8/15/48	155	154
CSAIL Commercial Mortgage Trust, Series 2016-C5, Class A1 1.747%, 11/15/48	223	221

(Amounts in 000s)	Par/Shares	$ Value
Goldman Sachs Mortgage Securities Corp. II, Series 2014-GC22, Class A1 1.29%, 6/10/47	59	59
Goldman Sachs Mortgage Securities Trust, Series 2014-GC24, Class A1 1.509%, 9/10/47	97	96
Goldman Sachs Mortgage Securities Trust, Series 2015-GC28, Class A1 1.528%, 2/10/48	394	392
Goldman Sachs Mortgage Securities Trust, Series 2015-GC32, Class A1 1.593%, 7/10/48	146	145
Goldman Sachs Mortgage Securities Trust, Series 2016-GS3, Class A1 1.429%, 10/10/49	114	112
Great Wolf Trust, Series 2017-WOLF, Class A ARM, 1M USD LIBOR + 0.85%, 2.477% 9/15/34 (1)	985	989
Great Wolf Trust, Series 2017-WOLF, Class C ARM, 1M USD LIBOR + 1.32%, 2.947% 9/15/34 (1)	905	905
Hospitality Mortgage Trust Series 2017-HIT, Class A ARM, 1M USD LIBOR + 0.85%, 2.094% 5/8/30 (1)	335	335
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C22 Class A1 1.451%, 9/15/47	17	17
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C23 Class A1 1.65%, 9/15/47	33	33
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C24 Class A1 1.539%, 11/15/47	12	12

(Amounts in 000s)	Par/Shares	$ Value
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2014-C26 Class A1 1.596%, 1/15/48	200	199
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C27 Class A1 1.414%, 2/15/48	347	345
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C28 Class A1 1.445%, 10/15/48	333	330
JPMorgan Chase Barclays Bank Commercial Mortgage Securities Series 2015-C29 Class A1 1.626%, 5/15/48	167	166
JPMorgan Chase Commercial Mortgage Securities, Series 2014-C20, Class A1 1.268%, 7/15/47	35	35
JPMorgan Chase Commercial Mortgage Securities, Series 2016-JP3, Class A1 1.462%, 8/15/49	353	347
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C16 Class A1 1.294%, 6/15/47	28	28
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C17 Class A1 1.551%, 8/15/47	20	20
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C18 Class A1 1.686%, 10/15/47	21	21

(Amounts in 000s)	Par/Shares	$ Value
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2014-C19 Class A1 1.573%, 12/15/47	162	161
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2015-C24 Class A1 1.706%, 5/15/48	232	230
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2016-C30 Class A1 1.389%, 9/15/49	189	186
Morgan Stanley Capital I Series 2015-MS1 Class A1 1.638%, 5/15/48	235	233
Morgan Stanley Capital I Series 2017-CLS, Class B ARM, 1M USD LIBOR + 0.85%, 2.10% 11/15/34 (1)	560	560
Morgan Stanley Capital I Series 2017-CLS, Class C ARM, 1M USD LIBOR + 1.00%, 2.25% 11/15/34 (1)	450	450
Wells Fargo Commercial Mortgage Trust, Series 2013-LC12, Class A1 1.676%, 7/15/46	776	775
Wells Fargo Commercial Mortgage Trust, Series 2014-LC18, Class A1 1.437%, 12/15/47	211	209
Wells Fargo Commercial Mortgage Trust, Series 2015-C26, Class A1 1.454%, 2/15/48	176	174
Wells Fargo Commercial Mortgage Trust, Series 2015-C27, Class A1 1.73%, 2/15/48	78	78
Wells Fargo Commercial Mortgage Trust, Series 2015-C28, Class A1 1.531%, 5/15/48	130	129

(Amounts in 000s)	Par/Shares	$ Value
Wells Fargo Commercial Mortgage Trust, Series 2015-LC20, Class A1 1.471%, 4/15/50	180	179
Wells Fargo Commercial Mortgage Trust, Series 2015-NXS1, Class A1 1.342%, 5/15/48	128	127
Wells Fargo Commercial Mortgage Trust, Series 2015-NXS2, Class A2 3.02%, 7/15/58	640	647
Wells Fargo Commercial Mortgage Trust, Series 2016-C32, Class A 1.577%, 1/15/59	731	724
Wells Fargo Commercial Mortgage Trust, Series 2016-LC24, Class A1 1.441%, 10/15/49	195	192
WF-RBS Commercial Mortgage Trust, Series 2013-UBS1, Class A1 1.122%, 3/15/46	23	23
WF-RBS Commercial Mortgage Trust, Series 2014-C20, Class A1 1.283%, 5/15/47	89	88
WF-RBS Commercial Mortgage Trust, Series 2014-C21, Class A1 1.413%, 8/15/47	48	47
WF-RBS Commercial Mortgage Trust, Series 2014-C22, Class A1 1.479%, 9/15/57	63	63
WF-RBS Commercial Mortgage Trust, Series 2014-C23, Class A1 1.663%, 10/15/57	1,116	1,112
		20,825
Home Equity 0.1%		
BankBoston Home Equity Loan Trust, Series 1998-2, Class A6, ARM 6.64%, 12/25/28	32	32
Chase Funding Mortgage Loan, Series 2002-4, Class 2A1, ARM 1M USD LIBOR + 0.74% 2.292%, 10/25/32	22	22
Nationstar Home Equity Loan Trust, Series 2016-2A, Class A, ARM 2.239%, 6/25/26 (1)	84	83
Nationstar Home Equity Loan Trust, Series 2016-3A, Class A 2.013%, 8/25/26 (1)	55	55
		192
Total Non-U.S. Government Mortgage-Backed Securities (Cost $45,119)		**44,997**

U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 5.4%

U.S. Government Agency Obligations 4.5% (2)		
Federal Home Loan Mortgage 3.50%, 3/1/46	1,459	1,508
4.00%, 8/1/26	108	112
5.00%, 10/1/18 - 7/1/25	138	144
5.50%, 4/1/23 - 10/1/38	42	44
6.00%, 12/1/19 - 1/1/38	248	277
Federal Home Loan Mortgage, ARM 1Y CMT + 2.245% 3.106%, 1/1/36	32	34
1Y CMT + 2.25% 3.413%, 10/1/36	6	7
12M USD LIBOR + 1.591% 3.341%, 9/1/35	11	12
12M USD LIBOR + 1.723% 3.348%, 1/1/36	3	3
12M USD LIBOR + 1.625% 3.375%, 4/1/37 - 7/1/38	44	47
12M USD LIBOR + 1.766% 3.393%, 2/1/37	12	13
12M USD LIBOR + 1.75% 3.411%, 2/1/35	20	21
12M USD LIBOR + 1.625% 3.416%, 6/1/38	48	50
12M USD LIBOR + 1.808% 3.483%, 1/1/37	6	6
12M USD LIBOR + 1.726% 3.484%, 7/1/35	9	9
12M USD LIBOR + 1.733% 3.533%, 10/1/36	42	43
12M USD LIBOR + 1.775% 3.539%, 5/1/37	18	19
12M USD LIBOR + 1.778% 3.541%, 5/1/38	29	30

(Amounts in 000s)	Par/Shares	$ Value
12M USD LIBOR + 1.90% 3.65%, 11/1/35	5	6
12M USD LIBOR + 1.966% 3.708%, 11/1/36	4	4
12M USD LIBOR + 2.075% 3.805%, 2/1/38	43	46
Federal Home Loan Mortgage, CMO		
2.00%, 2/15/40	345	342
2.059%, 3/25/20	310	309
4.00%, 11/15/36	250	259
Federal National Mortgage Assn.		
3.00%, 1/1/27	497	508
3.50%, 11/1/26 - 10/1/46	1,922	1,982
4.00%, 5/1/24 - 11/1/43	1,345	1,407
4.50%, 6/1/19 - 12/1/45	3,309	3,516
5.00%, 7/1/19 - 10/1/41	2,837	3,068
5.50%, 2/1/18 - 7/1/41	1,330	1,461
6.00%, 9/1/21 - 4/1/40	1,238	1,387
6.50%, 7/1/32 - 12/1/32	155	177
Federal National Mortgage Assn., ARM		
12M USD LIBOR + 1.34% 3.09%, 12/1/35	2	2
12M USD LIBOR + 1.528% 3.291%, 7/1/35	6	6
12M USD LIBOR + 1.592% 3.342%, 12/1/35	10	10
12M USD LIBOR + 1.598% 3.365%, 7/1/36	29	30
12M USD LIBOR + 1.655% 3.41%, 9/1/37	26	27
12M USD LIBOR + 1.75% 3.50%, 9/1/36	-	-
12M USD LIBOR + 1.788% 3.538%, 5/1/38	30	31
12M USD LIBOR + 1.80% 3.55%, 1/1/34	22	23
12M USD LIBOR + 1.83% 3.58%, 4/1/38	32	34
12M USD LIBOR + 1.846% 3.596%, 5/1/38	43	45
12M USD LIBOR + 1.853% 3.603%, 8/1/38	15	16
12M USD LIBOR + 1.892% 3.642%, 12/1/35	3	3
12M USD LIBOR + 1.77% 3.645%, 12/1/35	4	5
12M USD LIBOR + 2.04% 3.79%, 12/1/36	14	15
Federal National Mortgage Assn., CMO		
1M USD LIBOR + 0.30% 1.852%, 11/25/47	1,567	1,565
1M USD LIBOR + 0.50% 2.052%, 11/25/46	1,965	1,977
		20,640
U.S. Government Obligations 0.9%		
Government National Mortgage Assn.		
3.50%, 7/20/32 - 3/20/43	2,251	2,332
5.00%, 12/20/34 - 3/20/41	653	709
5.50%, 2/20/34	843	935
10.00%, 7/15/18	-	-
		3,976
Total U.S. Government & Agency Mortgage-Backed Securities (Cost $24,721)		**24,616**
U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 12.6%		
U.S. Government Agency Obligations 1.1% (2)		
Federal National Mortgage Assn., 1.50%, 7/30/20	5,065	5,002
		5,002
U.S. Treasury Obligations 11.5%		
U.S. Treasury Notes 1.00%, 11/15/19 (3)	18,440	18,143
U.S. Treasury Notes 1.25%, 1/31/20	7,040	6,949
U.S. Treasury Notes 1.375%, 5/31/21	5,145	5,028
U.S. Treasury Notes 1.50%, 6/15/20	9,815	9,715
U.S. Treasury Notes 1.625%, 11/30/20	6,640	6,573
U.S. Treasury Notes 1.875%, 12/15/20	5,520	5,504
		51,912
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost $57,538)		**56,914**

(Amounts in 000s)	Par/Shares	$ Value
FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 1.3%		
Owned No Guarantee 1.2%		
Eastern Creation II Investment Holdings 2.75%, 9/26/20	200	199
Petroleos Mexicanos 3.50%, 7/23/20	610	620
Sberbank of Russia 3.08%, 3/7/19 (EUR)	200	247
Shenhua Overseas Capital 2.50%, 1/20/18	1,710	1,710
Shenhua Overseas Capital 3.125%, 1/20/20	930	933
State Grid Overseas 2.25%, 5/4/20 (1)	1,485	1,471
		5,180
Sovereign 0.1%		
Soq Sukuk 2.099%, 1/18/18	520	520
		520
Total Foreign Government Obligations & Municipalities (Cost $5,685)		**5,700**
MUNICIPAL SECURITIES 0.2%		
Florida 0.2%		
Florida State Board of Administration Fin. Corp. Series A, 2.163%, 7/1/19	840	838
		838
Total Municipal Securities (Cost $840)		**838**
SHORT-TERM INVESTMENTS 2.8%		
Certificates of Deposit 0.3%		
Yankee 0.3% (4)		
Intesa Sanpaolo New York 2.10%, 9/27/18	1,150	1,150
		1,150

(Amounts in 000s)	Par/Shares	$ Value
Commercial Paper 1.8%		
4(2) 1.8% (5)		
Enbridge Energy Partners 2.30%, 1/16/18	2,430	2,428
Energy Transfer Partners 2.45%, 1/16/18	3,755	3,751
Ford Motor Credit 1.97%, 8/23/18	2,000	1,974
		8,153
Money Market Funds 0.7%		
T. Rowe Price Government Reserve Fund, 1.24% (6)(7)	3,392	3,392
		3,392
Total Short-Term Investments (Cost $12,695)		**12,695**

	$ Value
(Amounts in 000s)	
Total Investments in Securities	
100.0% of Net Assets (Cost $452,086)	**$ 450,714**

‡ 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 $127,285 and represents 28.2% of net assets.

(2) 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.

(3) At December 31, 2017, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.

(4) Yankee certificates of deposit are issued by U.S. branches of foreign banks.

(5) Commercial paper exempt from registration under Section 4(2) of the Securities Act of 1933 and may be resold in transactions exempt from registration only to dealers in that program or other "accredited investors" -- total value of such securities at period-end amounts to $8,153 and represents 1.8% of net assets.

(6) Seven-day yield

(7) Affiliated Company

1M USD LIBOR One month USD LIBOR (London Interbank Offered Rate)

1Y CMT One year U.S. Treasury Note constant maturity rate

3M USD LIBOR Three month USD LIBOR (London Interbank Offered Rate)

12M USD LIBOR Twelve month USD LIBOR (London Interbank Offered Rate)

ARM Adjustable Rate Mortgage; rate shown is effective rate at period-end. The rates for certain ARMs are not based on a published reference rate and spread but may be determined using a formula based on the rates of the underlying loans.

CLO Collateralized Loan Obligation

CMO Collateralized Mortgage Obligation

EUR Euro

PTC Pass-Through Certificate

REIT A domestic Real Estate Investment Trust whose distributions pass-through with original tax character to the shareholder.

STEP Stepped coupon bond for which the coupon rate of interest adjusts on specified date(s); rate shown is effective rate at period-end.

VR Variable Rate; rate shown is effective rate at period-end. The rates for certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and based on current market conditions.

(Amounts in 000s, except market price)

SWAPS 0.0%

Description	Notional Amount	Value	Upfront Payments/ (Receipts)	Unrealized Gain/(Loss)
BILATERAL SWAPS 0.0%				
Credit Default Swaps, Protection Sold 0.0%				
JPMorgan Chase, Protection Sold (Relevant Credit: Humana, 6.30%, 8/1/18, $102.57*) Receive 1.00%, Quarterly, Pay upon credit default, 12/20/18	340$	3$	-$	3
Total Bilateral Credit Default Swaps, Protection Sold			-	3
Total Bilateral Swaps			$	-$ 3

*Market price at December 31, 2017

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain / (Loss)
HSBC	2/23/18	USD	244	EUR	206	$ (4)
Net unrealized gain (loss) on open forward currency exchange contracts						$ (4)

Futures Contracts

($000s)

Description	Expiration Date	Notional Amount	Value and Unrealized Gain/ (Loss)
Short, 88 U.S. Treasury Notes ten year contracts	3/18	(10,916)	$ 58
Long, 509 U.S. Treasury Notes two year contracts	3/18	108,982	(198)
Net payments (receipts) of variation margin to date			154
Variation margin receivable (payable) on open futures contracts			$ 14

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 year ended December 31, 2017. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	$ —	$ —	$ 48
Totals	$ —#	$ —	$ 48+

Supplementary Investment Schedule

Affiliate	Value 12/31/16	Purchase Cost	Sales Cost	Value 12/31/17
T. Rowe Price Government Reserve Fund	$ 9,833	¤	¤	$ 3,392
				$ 3,392^

Capital gain/loss distributions from mutual funds represented $0 of the net realized gain (loss).

+ Investment income comprised $48 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 $3,392.

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

T. Rowe Price Limited-Term Bond Portfolio
December 31, 2017
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $452,086)	$	450,714
Interest receivable		2,100
Receivable for shares sold		362
Variation margin receivable on futures contracts		14
Unrealized gain on bilateral swaps		3
Total assets		453,193
Liabilities		
Payable for investment securities purchased		1,575
Payable for shares redeemed		697
Investment management and administrative fees payable		243
Unrealized loss on forward currency exchange contracts		4
Other liabilities		26
Total liabilities		2,545
NET ASSETS	**$**	**450,648**
Net Assets Consist of:		
Accumulated undistributed net realized loss	$	(3,779)
Net unrealized loss		(1,513)
Paid-in capital applicable to 93,543,008 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		455,940
NET ASSETS	**$**	**450,648**
NET ASSET VALUE PER SHARE		
Limited-Term Bond Class ($443,270,065 / 92,005,560 shares outstanding)	**$**	**4.82**
Limited-Term Bond - II Class ($7,377,596 / 1,537,448 shares outstanding)	**$**	**4.80**

The accompanying notes are an integral part of these financial statements.

Statement of Operations

T. Rowe Price Limited-Term Bond Portfolio
($000s)

	Year Ended 12/31/17
Investment Income (Loss)	
Income	
Interest	$ 8,305
Dividend	48
Total income	8,353
Expenses	
Investment management and administrative expense	2,935
Rule 12b-1 fees - Limited-Term Bond-II Class	23
Total expenses	2,958
Net investment income	5,395
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	160
Futures	(553)
Swaps	3
Net realized loss	(390)
Change in net unrealized gain / loss	
Securities	(645)
Futures	(148)
Swaps	(2)
Forward currency exchange contracts	(4)
Change in net unrealized gain / loss	(799)
Net realized and unrealized gain / loss	(1,189)
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 4,206**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

T. Rowe Price Limited-Term Bond Portfolio

($000s)

	Year Ended 12/31/17	12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 5,395	$ 4,345
Net realized loss	(390)	(526)
Change in net unrealized gain / loss	(799)	2,024
Increase in net assets from operations	4,206	5,843
Distributions to shareholders		
Net investment income		
Limited-Term Bond Class	(6,020)	(5,543)
Limited-Term Bond-II Class	(112)	(105)
Decrease in net assets from distributions	(6,132)	(5,648)
Capital share transactions*		
Shares sold		
Limited-Term Bond Class	88,930	64,640
Limited-Term Bond-II Class	5,475	4,239
Distributions reinvested		
Limited-Term Bond Class	6,011	5,532
Limited-Term Bond-II Class	112	105
Shares redeemed		
Limited-Term Bond Class	(40,734)	(99,533)
Limited-Term Bond-II Class	(8,163)	(5,403)
Increase (decrease) in net assets from capital share transactions	51,631	(30,420)
Net Assets		
Increase (decrease) during period	49,705	(30,225)
Beginning of period	400,943	431,168
End of period	**$ 450,648**	**$ 400,943**
Undistributed net investment income	–	–
*Share information		
Shares sold		
Limited-Term Bond Class	18,370	13,296
Limited-Term Bond-II Class	1,135	875
Distributions reinvested		
Limited-Term Bond Class	1,242	1,137
Limited-Term Bond-II Class	23	22
Shares redeemed		
Limited-Term Bond Class	(8,417)	(20,473)
Limited-Term Bond-II Class	(1,692)	(1,118)
Increase (decrease) in shares outstanding	10,661	(6,261)

The accompanying notes are an integral part of these financial statements.

T. Rowe Price Fixed Income Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Limited-Term Bond Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks a high level of income consistent with moderate fluctuations in principal value. The fund has two classes of shares: the Limited-Term Bond Portfolio (Limited-Term Bond 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.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Income distributions are declared by each class daily and paid monthly. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting Investment income and investment management and administrative expense are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares. Limited-Term Bond–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

New Accounting Guidance In 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.

On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had 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. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service. Generally, debt securities are categorized in Level 2 of the fair value hierarchy; however, to the extent the valuations include significant unobservable inputs, the securities would be categorized in Level 3.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Financial futures contracts are valued at closing settlement prices and are categorized in Level 1 of the fair value hierarchy. Forward currency exchange contracts are valued using the prevailing forward exchange rate and are categorized in Level 2 of the fair value hierarchy. Swaps are valued at prices furnished by an independent pricing service or independent swap dealers and generally are categorized in Level 2 of the fair value hierarchy; however, if unobservable inputs are significant to the valuation, the swap would be categorized in Level 3. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of troubled or thinly traded debt instruments, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as a discount or premium from market value of a similar, freely traded security of the same issuer; discounted cash flows; yield to maturity; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on December 31, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	$ –	$ 438,019	$ –	$ 438,019
Short-Term Investments	3,392	9,303	–	12,695
Total Securities	3,392	447,322	–	450,714
Swaps	–	3	–	3
Futures Contracts	14	–	–	14
Total	$ 3,406	$ 447,325	$ –	$ 450,731
Liabilities				
Forward Currency Exchange Contracts	$ –	$ 4	$ –	$ 4

There were no material transfers between Levels 1 and 2 during the year ended December 31, 2017.

NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended December 31, 2017, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust portfolio duration and credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral.

The following table summarizes the fair value of the fund's derivative instruments held as of December 31, 2017, and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

($000s)	Location on Statement of Assets and Liabilities		Fair Value
Assets			
Interest rate derivatives	Futures*	$	58
Credit derivatives	Bilateral Swaps, and Premiums		3
Total		$	61
Liabilities			
Interest rate derivatives	Futures*	$	198
Foreign exchange derivatives	Forwards		4
Total		$	202

*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 year ended December 31, 2017, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations				
	Securities^	Futures	Forward Currency Exchange Contracts	Swaps	Total
Realized Gain (Loss)					
Interest rate derivatives	$ –	$ (553)	$ –	$ –	$ (553)
Credit derivatives	(2)	–	–	3	1
Total	$ (2)	$ (553)	$ –	$ 3	$ (552)
Change in Unrealized Gain / Loss					
Interest rate derivatives	$ –	$ (148)	$ –	$ –	$ (148)
Foreign exchange derivatives	–	–	(4)	–	(4)
Credit derivatives	–	–	–	(2)	(2)
Total	$ –	$ (148)	$ (4)	$ (2)	$ (154)

^Purchased options are reported as securities and are reflected in the accompanying Portfolio of Investments.

Counterparty Risk and Collateral The fund invests in derivatives in various markets, which expose it to differing levels of counterparty risk. Counterparty risk on exchange-traded and centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps, is minimal because the clearinghouse provides protection against counterparty defaults. For futures and centrally cleared swaps, the fund is required to deposit collateral in an amount specified by the clearinghouse and the clearing firm (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearinghouse and clearing firm, in its sole discretion, may adjust the margin requirements applicable to the fund.

Derivatives, such as bilateral swaps, forward currency exchange contracts, and OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives) expose the fund to greater counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also require the exchange of collateral to cover mark-to-market exposure. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs provide the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow termination of transactions and net settlement upon the occurrence of contractually specified events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate, while a decline in the fund's net assets of more than a specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount settled. ISDAs include collateral agreements whereas FX letters do not. Collateral requirements are determined daily based on the net aggregate unrealized gain or loss on all bilateral derivatives with a counterparty, subject to minimum transfer amounts that typically range from $100,000 to $250,000. Any additional collateral required due to changes in security values is typically transferred the same business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the

fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account at the fund's custodian. While typically not sold in the same manner as equity or fixed income securities, exchange-traded or centrally cleared derivatives may be closed out only on the exchange or clearinghouse where the contracts were traded, and OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of December 31, 2017, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of December 31, 2017, securities valued at $220,000 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 year ended December 31, 2017, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally less than 1% of net assets.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rate and yield curve movements, security prices, foreign currencies, credit quality, and mortgage prepayments; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; or to adjust portfolio duration and credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a specific underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the year ended December 31, 2017, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 15% and 25% of net assets.

Options The fund is subject to credit risk in the normal course of pursuing its investment objectives and uses options to help manage such risk. The fund may use options to manage exposure to security prices, interest rates, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or a part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. Options are included in net assets at fair value, purchased options are included in Investments in Securities, and written options are separately reflected as a liability on the accompanying Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as realized gain or loss. In return for a premium paid, 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 credit ratings; and, for written options, potential losses in excess of the fund's initial investment. During the year ended December 31, 2017, the volume of the fund's activity in options, based on underlying notional amounts, was generally between 0% and 2% of net assets.

Swaps The fund is subject to credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risk. The fund may use swaps in an effort to manage exposure to changes in interest rates, inflation rates, and credit quality; to adjust overall exposure to certain markets; to enhance total return or protect the value of portfolio securities; to serve as a cash management tool; or to adjust portfolio duration and credit exposure. Swap agreements can be settled either directly with the counterparty (bilateral swap) or through a central clearinghouse (centrally cleared swap). Fluctuations in the fair value of a contract are reflected in unrealized gain or loss and are reclassified to realized gain or loss upon contract termination or cash settlement. Net periodic receipts or payments required by a contract increase or decrease, respectively, the value of the contract until the contractual payment date, at which time such amounts are reclassified from unrealized to realized gain or loss. For bilateral swaps, cash payments are made or received by the fund on a periodic basis in accordance with contract terms; unrealized gain on contracts and premiums paid are reflected as assets and unrealized loss on contracts and premiums received are reflected as liabilities on the accompanying Statement of Assets and Liabilities. For bilateral swaps, premiums paid or received are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. For centrally cleared swaps, payments are made or received by the fund each day to settle the daily fluctuation in the value of the contract (variation margin). Accordingly, the value of a centrally cleared swap included in net assets is the unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, or issuer or index of such instruments. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. For credit default swaps where the underlying credit is an index, a specified credit event may affect all or individual underlying securities included in the index and will be settled based upon the relative weighting of the affected underlying security(ies) within the index. Generally, the payment risk for the seller of protection is inversely related to the current market price or credit rating of the underlying credit or the market value of the contract relative to the notional amount, which are indicators of the markets' valuation of credit quality. As of December 31, 2017, the notional amount of protection sold by the fund totaled $340,000 (0.1% of net assets), which reflects the maximum potential amount the fund could be required to pay under such contracts. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future creditworthiness of underlying issuers, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

During the year ended December 31, 2017, the volume of the fund's activity in swaps, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Collateralized Loan Obligations The fund may invest in collateralized loan obligations (CLOs) which are entities backed by a diversified pool of syndicated bank loans. The cash flows of the CLO can be split into multiple segments, called "tranches" or "classes", which will vary in risk profile and yield. The riskiest segments, which are the subordinate or "equity" tranches, bear the greatest risk of loss from defaults in the underlying assets of the CLO and serve to protect the other, more senior, tranches. Senior tranches will typically have higher credit ratings and lower yields than the securities underlying the CLO. Despite the protection from the more junior tranches, senior tranches can experience substantial losses.

Mortgage-Backed Securities The fund may invest in mortgage-backed securities (MBS or pass-through certificates) that represent an interest in a pool of specific underlying mortgage loans and entitle the fund to the periodic payments of principal and interest from those mortgages. MBS may be issued by government agencies or corporations, or private issuers. Most MBS issued by government agencies are guaranteed; however, the degree of protection differs based on the issuer. MBS are sensitive to changes in economic conditions that affect the rate of prepayments and defaults on the underlying mortgages; accordingly, the value, income, and related cash flows from MBS may be more volatile than other debt instruments.

Other Purchases and sales of portfolio securities other than short-term and U.S. government securities aggregated $186,115,000 and $158,177,000, respectively, for the year ended December 31, 2017. Purchases and sales of U.S. government securities aggregated $78,651,000 and $61,216,000, respectively, for the year ended December 31, 2017.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications between income and gain relate primarily to the character of paydown gains and losses on asset-backed securities. For the year ended December 31, 2017, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

($000s)		
Undistributed net investment income	$	737
Undistributed net realized gain		(599)
Paid-in capital		(138)

Distributions during the years ended December 31, 2017 and December 31, 2016, totaled $6,132,000 and $5,648,000, respectively, and were characterized as ordinary income for tax purposes. At December 31, 2017, the tax-basis cost of investments, including derivatives, and components of net assets were as follows:

($000s)	
Cost of investments	$ 451,949
Unrealized appreciation	$ 902
Unrealized depreciation	(2,278)
Net unrealized appreciation (depreciation)	(1,376)
Capital loss carryforwards	(3,912)
Late-year ordinary loss deferrals	(4)
Paid-in capital	455,940
Net assets	$ 450,648

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. In accordance with federal tax laws applicable to investment companies, net specified losses realized between November 1 and December 31 are not recognized for tax purposes until the subsequent year (late-year ordinary loss deferrals); however, such losses are recognized for financial reporting purposes in the year realized.

NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.70% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the year ended December 31, 2017, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price Fixed Income Series, Inc. and Shareholders of T. Rowe Price Limited-Term Bond Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price Limited-Term Bond Portfolio (one of the portfolios constituting T. Rowe Price Fixed Income Series, Inc., hereafter referred to as the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodians and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 7, 2018

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

Tax Information (Unaudited) for the Tax Year Ended 12/31/17

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included $1,000 from short-term capital gains.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

About the Portfolio's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Bruce W. Duncan (1951) 2013 [191]	Chief Executive Officer and Director (2009 to December 2016), Chairman of the Board (January 2016 to present), and President (2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2013 [191]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present)
Paul F. McBride (1956) 2013 [191]	Advisory Board Member, Vizzia Technologies (2015 to present)
Cecilia E. Rouse, Ph.D. (1963) 2013 [191]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program (2011 to 2015) and Board Member (2015 to present), National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession (2012 to present); Vice President (2015 to present), American Economic Association
John G. Schreiber (1946) 1994 [191]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder, Partner, and Cochairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016)
Mark R. Tercek (1957) 2009 [191]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [191]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds
Edward A. Wiese, CFA (1959) 2015 [56]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company; Vice President, Fixed Income Series

*Each inside director serves until retirement, resignation, or election of a successor.

Officers

Name (Year of Birth) Position Held With Fixed Income Series	Principal Occupation(s)
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Steven G. Brooks, CFA (1954) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Jason T. Collins (1971) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
M. Helena Condez (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Levent Demirekler (1974) Vice President	Vice President, T. Rowe Price
G. Richard Dent (1960) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Stephanie A. Gentile, CFA (1956) Vice President	Vice President, T. Rowe Price; formerly, Director, Credit Suisse Securities (to 2014)
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Michael J. Grogan, CFA (1971) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Geoffrey M. Hardin (1971) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Charles B. Hill, CFA (1961) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Keir R. Joyce, CFA (1972) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Steven M. Kohlenstein (1987) Vice President	Vice President, T. Rowe Price
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Marcy M. Lash (1963) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Alan D. Levenson, Ph.D. (1958) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Joseph K. Lynagh, CFA (1958) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Andrew C. McCormick (1960) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Cheryl A. Mickel, CFA (1967) President	Director and Vice President, T. Rowe Price Trust Company; Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With Fixed Income Series	Principal Occupation(s)
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Vice President and Secretary, T. Rowe Price and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price
Vernon A. Reid, Jr. (1954) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Michael F. Reinartz (1973) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Chen Shao (1980) Vice President	Vice President, T. Rowe Price
Douglas D. Spratley, CFA (1969) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Robert D. Thomas (1971) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
John D. Wells (1960) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

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December 31, 2017

Annual Report

Mid-Cap Growth Portfolio

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Mid-Cap Growth Portfolio

Highlights

- Mid-cap growth stocks recorded strong gains in the second half of 2017, building on equally impressive returns earlier in the year.
- The Mid-Cap Growth Portfolio slightly lagged its benchmarks in 2017, mainly due to our increasingly cautious stance.
- The portfolio's gains were exceptionally broad-based, reflecting increased valuations in nearly all corners of its investment universe.
- We are concerned that the current environment is in danger of morphing into a market bubble, and we recall our experiences managing through past periods of market excess.

The views and opinions in this report were current as of December 31, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

What had been an unloved and largely ignored market rally began to gather widespread attention in 2017 as every other day seemed to bring news of a record close on Wall Street (in truth, the S&P 500 notched 62 record highs during the year—still not shabby). The bull market that began in March 2009 is now second in duration and magnitude, trailing only the bull market of the 1990s, which culminated with the Internet bubble at the turn of the millennium. As we describe below, we are among a shrinking subset of investment professionals who were managing money during those years, and we know how these parties end. As a result, the portfolio's positioning is increasingly cautious, and this has weighed on our relative performance in recent months. As we discuss below, however, we believe that experience and caution can be valuable in times of market exuberance.

Performance Comparison

	Total Return	
Periods Ended 12/31/17	6 Months	12 Months
Mid-Cap Growth Portfolio	8.89%	24.77
Mid-Cap Growth Portfolio–II	8.78	24.44
Russell Midcap Growth Index	12.45	25.27
Lipper Variable Annuity Underlying Mid-Cap Growth Funds Average	10.42	25.47

The Mid-Cap Growth Portfolio returned 24.77% in the 12 months ended December 31, 2017, with 8.89% of the gain coming in the second half of the period. The portfolio slightly trailed its benchmark and peer group average due to underperformance in the second half of 2017. Nevertheless, the portfolio remained favorably ranked relative to its competitors over all longer time periods. (Based on cumulative total return, Lipper ranked the Mid-Cap Growth Portfolio 59 of 98, 10 of 94, 7 of 93, and 3 of 75 funds in the variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended December 31, 2017, respectively. Lipper ranked the Mid-Cap Growth Portfolio–II 72 of 98, 17 of 94, 14 of 93, and 9 of 75 funds in the variable annuity underlying mid-cap growth funds category for the 1-, 3-, 5-, and 10-year periods ended December 31, 2017, respectively. *Past performance cannot guarantee future results.*)

Market Environment

Stocks continued their remarkably steady ascent in the six months since our last report, with the major indexes rarely swinging by more than 1% on a daily basis and volatility measures touching all-time lows. Signs that the economy had finally shifted into a higher gear deserve significant credit for the market's further leg upward. After slowing in the first quarter, U.S. gross domestic product growth picked up substantially in the second and third quarters, recording its best back-to-back performance in three years. The labor market remained especially strong, with the unemployment rate falling to its lowest level since December 2000. Consumer confidence also reached its highest level in 17 years. Not surprisingly, consumers shopped (or at least clicked) aggressively during the holiday season, resulting in robust sales for most retailers.

Washington deserved substantial credit for the gains late in the year. Investors were skeptical throughout much of the fall that congressional Republicans would be able to pass their promised tax reform bill, particularly after their repeated failures to repeal the Affordable Care Act. Markets began to rally in late November as a reform plan moved through the Senate, where the hurdles to its passage seemed highest, and news of the final compromise bill in mid-December took indexes to their highs for the year. The U.S. corporate tax code was long overdue for an overhaul as our tax rates had become among the highest in the world, discouraging companies from investing here, incentivizing elaborate maneuvers to recognize income in lower-tax jurisdictions, and even encouraging some to move their headquarters to low-tax domiciles.

Our sense is that markets are overreacting to the tax bill, however. A tight labor market, rising commodity prices, increased capital spending, and old-fashioned competition are all likely to siphon away much of the tax savings for most firms over time. We believe that the consensus view that most of the windfall will be returned to shareholders rather than to other stakeholders is far too simplistic. We would also note that, as with much that happens in Washington these days, Congress did not have the fortitude to offset corporate tax cuts by closing enough tax loopholes elsewhere, thus widening the likely deficits in future years. Nevertheless, in the short term, cutting taxes in an already booming economy is very stimulative and appears to have triggered animal spirits on Main Street and in corporate executive suites. If consumers were confident, many management teams ended the year downright giddy.

Ebullience in the C-suite seemed to be paired with a growing sense of euphoria on Wall Street. Markets became increasingly driven by momentum late in the year as investors poured into stocks that had already performed best. Having spurned equities in favor of bonds throughout much of the bull market, individual investors began returning to the market, focusing their buying on index-tracking exchange-traded funds (ETFs)—themselves a form of momentum-driven, valuation-agnostic investing as their composition favors companies whose stocks have already done well. Without knowing it, many Americans became heavy investors in the proverbial "FANG"—Facebook, Amazon, Netflix, and Google (Alphabet)—and other highly valued tech companies.

Having been at the epicenter of events over the previous several years, the Federal Reserve faded a bit from view in late 2017. The central bank's decision to raise rates by another quarter point in December took no one by surprise, and Fed Governor Jerome Powell's appointment to replace his close ally Janet Yellen as Fed chair in early 2018 signaled a continued go-slow approach in raising rates. Meanwhile, the European Central Bank and the Bank of Japan continued their massive asset purchases, placing downward pressure on long-term rates globally. The easy money burner remained on, gently heating up prices for a wide range of assets, from bonds to real estate to stocks. But like the proverbial frog sitting contentedly in a slowly warming pot, few stock investors seemed to notice that things, in general, were getting a bit hot. Indeed, the speculative fervor in bitcoin made the "melt-up," as many are calling the relentless rise in equity prices, feel downright prosaic in comparison, and investors in stocks with little valuation support could point out that at least they weren't investing in alternative currencies, assets with no notional value at all.

Growth vs. Value

Periods Ended 12/31/17	6 Months	12 Months	3 Years	5 Years
Russell Midcap Growth Index	12.45%	25.27%	34.18%	103.82%
Russell Midcap Value Index	7.76	13.34	29.51	98.33

Cumulative returns.

In a risk-seeking environment, where virtually everything appeared expensive, investors did not single out a lone sector, as was the case with technology stocks in 1999 or housing in 2006. Indeed, technology stocks only marginally outperformed the Russell Midcap Growth Index in the second half of the year and trailed both financial and industrial shares. The environment generally favored growth stocks, and the mid-cap growth sector outperformed its value counterpart considerably throughout the year. But large-cap growth companies were the stellar performers of 2017, continuing the trend we've seen in recent years.

Portfolio Review

The unique breadth in the market's advance in 2017 was reflected in the small number of our holdings that actually declined; in fact, no sector detracted on an overall basis. Technology stocks, which represent about one-fifth of the portfolio, contributed the most. In our semiannual letter we mentioned the strong performance of **Microchip Technology**, a maker of microcontrollers that benefited from the very successful integration of its acquisition of Atmel, as well as longtime holding **Fiserv**, a provider of financial processing and mobile payments services. Services providers **Global Payments** and **Vantiv** also performed well, as did **Red Hat**, the dominant purveyor of open-source Linux-based software services. Cybersecurity firm **Palo Alto Networks** was a modest disappointment before we eliminated our position early in the year. (Please refer to the fund's portfolio of investments for a complete list of our holdings and the amount each represents in the portfolio.)

As longtime shareholders know, the portfolio has long emphasized the industrials and business services sector, where we have been able to find companies growing at steady, if not spectacular, rates trading at reasonable valuations. Our large position in aerospace and defense firm **Textron** was our top contributor in this segment as the business jet market showed signs of improvement, helping sales of Textron's Citation and Beechcraft aircraft. Tests conducted with the Air Force drew attention to the company's new Scorpion military jet, an inexpensive light attack and reconnaissance plane with considerable potential. Diversified defense supplier **Harris** also performed well after posting better-than-expected revenue growth driven by improving demand for its tactical radios. Longtime holding **IDEX**, a provider of flow pumps, meters, and other fluid control products, boosted our results after repeatedly beating investors' earnings expectations.

As usual, our health care holdings provided widely disparate results. We discussed the strong performance of catheter specialist **Teleflex** and specialty contact lens maker **Cooper Companies** in our semiannual letter. Analytical instrument maker **Agilent Technologies** was another major contributor after handily beating revenue and margins forecasts. On the negative side, **Envision Healthcare**, which provides outsourced physicians for hospital emergency rooms and a range of

other services, was the portfolio's largest detractor in 2017 as it struggled to integrate a large merger. The company has announced a strategic review, and we believe it is contemplating whether a major overhaul of its operations might best be accomplished as a private company.

Our consumer holdings provided mixed returns as the threat of "Amazonification" cast a wide shadow over the sector. With Amazon yet to unveil its own hotels and cruise ships, our leisure holdings were free to benefit from healthier consumer spending, particularly for "experiences" rather than goods. **Marriott** and **Norwegian Cruise Line Holdings**, both mentioned in our last letter, were particularly strong. However, the Amazon threat precipitated significant strategy shifts at many retailers, including **Dick's Sporting Goods**. We had thought that, like Best Buy in consumer electronics, Dick's could benefit as the last major terrestrial retailer standing in its sector. While we still believe this to be the case, the company's growth trajectory has been severely compromised, and we decided to eliminate it from the portfolio. Amazon also poses a long-term threat to the auto parts retail and distribution sector, but the primary reason we sold longtime holding **AutoZone** late in the year was its struggle to execute its strategy to market to professional service and repair shops.

Sector Diversification

	Percent of Net Assets	
	6/30/17	12/31/17
Information Technology	20.0%	23.1%
Industrials and Business Services	20.6	20.7
Health Care	20.3	18.3
Consumer Discretionary	13.3	14.5
Financials	9.3	9.3
Materials	5.6	5.3
Consumer Staples	2.4	2.1
Energy	0.9	1.3
Real Estate	0.8	0.5
Telecommunication Services	0.0	0.0
Utilities	0.0	0.0
Other and Reserves	6.8	4.9
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

We have a smaller weighting in financials, where our investments are clustered in capital markets and insurance. Our top performer here was **Cboe Global Markets**, the largest U.S. options exchange. The company recently merged with Bats Global Markets, the second-largest exchange by volume, and its stock surged on early indications that the combination was working as planned. We anticipate that the combination of Cboe's proprietary products with Bats' global technology platform will yield significant synergies over time. Title insurer **FNF** and insurance broker **Willis Towers Watson** were also strong performers. The latter is also the product of a recent merger that seems to be functioning well.

Our management style is typically to purchase new positions when good companies misstep or the market overreacts to what we view as temporary issues. This has happened rarely in the last year, posing real challenges for us. We did initiate positions in **Dunkin Brands**, based largely on our expectation that its new chief operating officer will strengthen the concept's appeal, and in **Ulta Beauty**, whose stock fell as its exceptionally high same-store sales growth moderated. We believe the latter will continue to capture market share as vendors seek new partners to offset sales declines at department stores. In the case of cybersecurity vendor **Symantec**, growth has slowed over the last few years, but demand for cybersecurity continues to grow quickly as corporations, governments, and individuals seek to protect their valuable data. Its 2016 acquisition of rival Blue Coat brought with it a new CEO who we believe will streamline the company and develop innovative products more rapidly. We also added to our position in **Colfax**. This industrial company has struggled in recent years, but we believe that its efforts to restructure its businesses under the tutelage of a board and a management system that are closely related to Danaher, a stellar former holding in our portfolio, are beginning to bear fruit.

Investment Strategy and Outlook

In recent years, we have written repeatedly about "froth" in isolated segments of the market. If we are to stick with that analogy, we might say that the bits of froth are converging as valuations have increased more broadly across industry sectors. This begs the logical question: Has the froth now coalesced into a bubble?

Of course, analogies can take us only so far, and even more quantitative descriptions of market excess leave some room for doubt. By our reckoning, stock prices appear to be about 15% to 20% above normal. The price-to-earnings ratio on the S&P 500 ended 2017 hovering around 19 on a forward basis, its highest level since the start of the last decade but well below its peak of about 27 at the height of the dot-com bubble. We are mindful that elevated valuations do not predict the timing of declines. Nevertheless, they are a forward indicator of higher risk and lower future returns.

Properly defining a bubble also relies on calling out a series of market characteristics that are not easily captured in numbers. No bubble is exactly the same, though to paraphrase Mark Twain, they do rhyme. Investor euphoria is a necessary component, as is the absence of fear. Indeed, the only fear common on Wall Street during bubbles is the fear of being left behind—a concern we are increasingly hearing from fellow investment professionals. On balance, we do not believe that the current stock environment is extreme enough to merit bubble status, but we believe it could if the melt-up persists much longer.

We observe that high valuations are present not only in the U.S. stock market but in most asset classes. In fact, bonds, some of which still trade at negative yields, may well be more overvalued than stocks. As we have written before, the current situation is the result of the extraordinary liquidity injected into the global economy by the various central banks in response to the great financial crisis in 2008–2009. Even though that crisis is long past, the central banks have continued to fight the last war, as it were, and the consequence is inflation in most asset classes globally. The longer this persists, the greater the consequences are likely to be when the market recalibrates.

As our longtime shareholders know, our portfolio fared better than the vast majority of its peers in the two bubbles in recent market history, although they were hardly pleasant experiences. In the tech bubble that peaked in 2000, we vastly underperformed over the preceding several quarters. Our decision to skip the party on the way up was not taken lightly, and there were many sleepless nights in 1999. We were broadly criticized by the press, by clients, and even by younger colleagues. In our letter to you in the summer of 2012, we looked back on this period: "On March 6, 2000, your manager was featured in a *Wall Street Journal* article describing how T. Rowe Price had become a 'tradition-bound firm' that had been slow to embrace the growing importance of technology stocks."

As it turned out, the moves we made to protect capital in this period, as excruciating as they seemed at the time, paid off over the next few years. Other mid-cap managers chose to run with the crowd, destroyed their clients' capital, and were driven from the investment business. With our losses modest in comparison, we were able to search among the rubble and pick up many outstanding growth companies at compelling valuations.

The choices we faced in the real estate bubble of the mid-2000s were not as stark given that mid-cap growth stocks were not at the center of the turmoil, and we certainly did not foresee the coming global financial crisis. Nevertheless, we sold most of our real estate and credit-sensitive issues early, which helped our subsequent performance.

Even in these two bubbles, pockets of reasonable or even cheap valuations offered shelter, as was the case with "old economy" industrials and business services stocks in the late 1990s. In contrast, the current melt-up has the unusual characteristic of broad overvaluation across many market sectors. Not only that, but the less volatile, steady growth stocks we have favored over the years are now among the more expensive stocks in the market relative to their growth rates. Perhaps investors are acknowledging an expensive market and would prefer to go into a downturn owning the best companies regardless of valuation. In our last letter, we discussed how the valuation-insensitive nature of index investing may be what is driving the market's relentless and steady move higher. The flip side of this phenomenon is that there are now fewer active, valuation-sensitive investors ready to step in when stocks experience a major correction, as will happen eventually. This could exacerbate any future declines. Unlike the last two bubbles, there seem to be few places to hide.

So what should we do? There would seem to be at least three courses of action.

We could retire. A generation of top investors did just that in 1999. At ages 59 and 55, respectively, this is a viable option. (We like to think that our wives would favor such a choice, but we also keep in mind the advice given to a mentor of ours whose wife always respected their vow of "for better or worse" while adding the caveat "but never for lunch.") However, we both feel that we have acquired some kernels of wisdom over the years, and investing is a profession where experience and age can be an attribute.

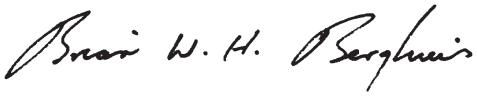
Alternatively, we could aggressively raise cash levels. This is possible, and in 1999, we had 9% cash reserves at year-end. It helped somewhat in the downturn, but in reality, cash levels would need to be much higher to

have a large impact. Some might say that cash levels of 5% or more in a strategy charged with investing in mid-cap growth issues is a dereliction of duty. We think that's a bit extreme, but in the end, we believe that cash levels are a decision our clients should make. Our job is to invest in mid-cap growth stocks because that is what our clients are paying us to do.

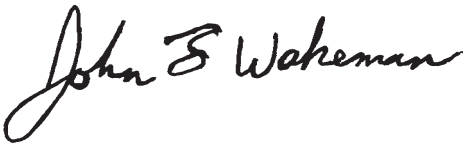
The third option is to continue with what we're currently doing: staying fairly fully invested while trying to invest incrementally more cautiously as the market relentlessly rises. This involves paring the most expensive stocks in our portfolio and buying issues that are still expensive historically but less pricey on a relative basis; orienting the portfolio toward less cyclical and less market-sensitive holdings; and moderating positions in companies that we feel have poor underlying profitability.

For the moment, we are pursuing this third approach, but not without great trepidation. We are not at all hesitant, however, about the fundamental investment process we have executed consistently through the years, and we appreciate your continued confidence in our ability to guide your portfolio through a range of market environments. We look forward to reporting again on our efforts in six months.

Respectfully submitted,



Brian W.H. Berghuis
Chairman of the portfolio's Investment Advisory Committee



John F. Wakeman
Executive vice president of the portfolio

January 19, 2018

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing it's investment program.

Risks of Stock Investing

As with all stock and bond mutual funds, the fund's share price can fall because of weakness in the stock or bond markets, a particular industry, or specific holdings. The financial markets can decline for many reasons, including adverse political or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of companies held in a fund may prove incorrect, resulting in losses or poor performance even in rising markets. The stocks of mid-cap companies entail greater risk and are usually more volatile than the shares of larger companies. In addition, growth stocks can be volatile for several reasons. Since they usually reinvest a high proportion of earnings in their own businesses, they may lack the dividends usually associated with value stocks that can cushion their decline in a falling market. Also, since investors buy these stocks because of their expected superior earnings growth, earnings disappointments often result in sharp price declines.

Glossary

Gross domestic product: The total market value of all goods and services produced in a country in a given year.

Lipper indexes: Fund benchmarks that consist of a small number of the largest mutual funds in a particular category as defined by Lipper Inc.

S&P 500 Index: An unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies.

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.

Note: Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell indexes. Russell® is a trademark of Russell Investment Group.

Portfolio Highlights

Twenty-Five Largest Holdings

	Percent of Net Assets 12/31/17
Teleflex	2.3%
Textron	2.2
Microchip Technology	1.8
Fiserv	1.8
Roper Technologies	1.7
Dollar General	1.7
Hologic	1.7
Tapestry	1.7
IDEX	1.6
Sensata Technologies Holding	1.6
Agilent Technologies	1.5
Willis Towers Watson	1.5
Norwegian Cruise Line Holdings	1.5
Marriott	1.5
Cooper Companies	1.5
FNF	1.4
Progressive	1.4
Harris	1.4
TD Ameritrade Holding	1.4
Keysight Technologies	1.4
Cboe Global Markets	1.2
Vantiv	1.2
Red Hat	1.2
Bruker	1.1
Ball	1.1
Total	38.4%

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Portfolio Highlights

Contributions to the Change in Net Asset Value

Six Months Ended 12/31/17

BEST CONTRIBUTORS		WORST CONTRIBUTORS	
Cboe Global Markets	14¢	Envision Healthcare	-19¢
Dollar General	12	TreeHouse Foods	-11
Marriott	12	Equifax	-8
Teleflex	12	Henry Schein	-6
Textron	12	MEDNAX	-5
Harris	10	Acadia Healthcare	-5
Progressive	10	Cooper Companies	-4
Red Hat	8	Ball	-4
Sensata Technologies Holding	8	Incyte	-3
IDEX	8	Hologic	-2
Total	106¢	Total	-67¢

12 Months Ended 12/31/17

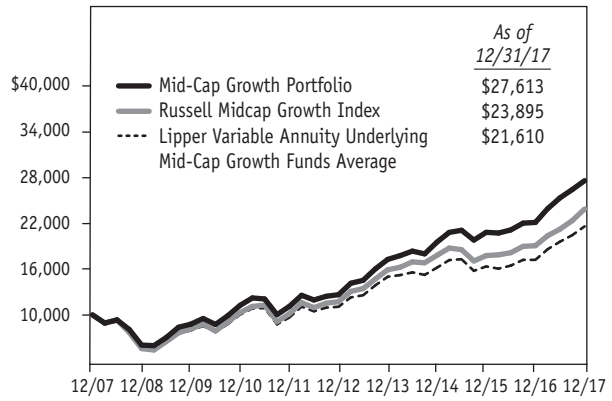
BEST CONTRIBUTORS		WORST CONTRIBUTORS	
Teleflex	25¢	Envision Healthcare	-19¢
Cboe Global Markets	22	AutoZone*	-11
Marriott	20	MEDNAX	-8
Red Hat	19	TreeHouse Foods	-8
FNF	19	Dick's Sporting Goods*	-3
IDEX	18	O'Reilly Automotive	-3
Progressive	17	Sabre*	-3
Microchip Technology	16	ARC Resources	-2
Roper Technologies	16	TripAdvisor	-2
Agilent Technologies	16	Acuity Brands	-2
Total	188¢	Total	-61¢

*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 may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Mid-Cap Growth Portfolio



Note: Performance for the II Class will vary due to its differing fee structure. See the returns table below.

Average Annual Compound Total Return

Periods Ended 12/31/17	1 Year	5 Years	10 Years
Mid-Cap Growth Portfolio	24.77%	16.92%	10.69%
Mid-Cap Growth Portfolio–II	24.44	16.63	10.42

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Returns do not reflect taxes that the shareholder may pay on distributions or the redemption of shares. Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

Mid-Cap Growth Portfolio

	Beginning Account Value 7/1/17	Ending Account Value 12/31/17	Expenses Paid During Period* 7/1/17 to 12/31/17
Mid-Cap Growth Portfolio			
Actual	$1,000.00	$1,088.90	$4.48
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.92	4.33
Mid-Cap Growth Portfolio–II			
Actual	1,000.00	1,087.80	5.79
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.66	5.60

*Expenses are equal to the portfolio's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Mid-Cap Growth Portfolio was 0.85%, and the Mid-Cap Portfolio–II was 1.10%.

Financial Highlights

T. Rowe Price Mid-Cap Growth Portfolio

Mid-Cap Growth Class

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 25.57	$ 25.70	$ 27.88	$ 27.70	$ 22.00
Investment activities					
Net investment loss[1]	(0.04)	(0.03)	(0.05)	(0.07)	(0.08)
Net realized and unrealized gain / loss	6.39	1.66	1.85	3.62	8.10
Total from investment activities	6.35	1.63	1.80	3.55	8.02
Distributions					
Net realized gain	(3.67)	(1.76)	(3.98)	(3.37)	(2.32)
NET ASSET VALUE					
End of period	**$ 28.25**	**$ 25.57**	**$ 25.70**	**$ 27.88**	**$ 27.70**
Ratios/Supplemental Data					
Total return[2]	**24.77%**	**6.26%**	**6.56%**	**13.12%**	**36.69%**
Ratio of total expenses to average net assets	0.85%	0.85%	0.85%	0.85%	0.85%
Ratio of net investment loss to average net assets	(0.13)%	(0.11)%	(0.18)%	(0.25)%	(0.30)%
Portfolio turnover rate	24.7%	28.9%	29.4%	26.1%	25.1%
Net assets, end of period (in thousands)	$ 411,412	$ 353,074	$ 350,626	$ 356,083	$ 342,210

(1) Per share amounts calculated using average shares outstanding method.

(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

The accompanying notes are an integral part of these financial statements.

Financial Highlights

T. Rowe Price Mid-Cap Growth Portfolio

Mid-Cap Growth-II Class

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 24.65	$ 24.85	$ 27.08	$ 26.99	$ 21.49
Investment activities					
Net investment loss[1]	(0.11)	(0.09)	(0.12)	(0.14)	(0.14)
Net realized and unrealized gain / loss	6.15	1.61	1.79	3.52	7.91
Total from investment activities	6.04	1.52	1.67	3.38	7.77
Distributions					
Net realized gain	(3.58)	(1.72)	(3.90)	(3.29)	(2.27)
NET ASSET VALUE					
End of period	**$ 27.11**	**$ 24.65**	**$ 24.85**	**$ 27.08**	**$ 26.99**
Ratios/Supplemental Data					
Total return[2]	**24.44%**	**6.03%**	**6.27%**	**12.82%**	**36.40%**
Ratio of total expenses to average net assets	1.10%	1.10%	1.10%	1.10%	1.10%
Ratio of net investment loss to average net assets	(0.38)%	(0.36)%	(0.43)%	(0.50)%	(0.55)%
Portfolio turnover rate	24.7%	28.9%	29.4%	26.1%	25.1%
Net assets, end of period (in thousands)	$ 52,926	$ 54,691	$ 52,528	$ 68,497	$ 63,572

(1) Per share amounts calculated using average shares outstanding method.

(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

The accompanying notes are an integral part of these financial statements.

Portfolio of Investments‡

T. Rowe Price Mid-Cap Growth Portfolio
December 31, 2017

(Cost and value in $000s)	Shares	$ Value
COMMON STOCKS 94.4%		
Consumer Discretionary 14.5%		
Automobiles 0.3%		
Ferrari	15,000	1,572
		1,572
Diversified Consumer Services 0.4%		
ServiceMaster Global Holdings (1)	39,396	2,020
		2,020
Hotels, Restaurants & Leisure 6.0%		
Aramark	75,000	3,206
Dunkin Brands	41,000	2,643
Marriott, Class A	50,000	6,786
MGM Resorts International	111,000	3,706
Norwegian Cruise Line Holdings (1)	131,000	6,976
Royal Caribbean Cruises	15,000	1,789
Vail Resorts	13,000	2,762
		27,868
Internet & Direct Marketing Retail 0.8%		
Expedia	19,000	2,276
TripAdvisor (1)	35,000	1,206
		3,482
Multiline Retail 1.7%		
Dollar General	85,000	7,906
		7,906
Specialty Retail 3.2%		
Burlington Stores (1)	23,000	2,830
CarMax (1)	50,000	3,206
L Brands	19,000	1,144
Michaels (1)	77,000	1,863
O'Reilly Automotive (1)	16,000	3,849
Ulta Beauty (1)	8,000	1,789
		14,681
Textiles, Apparel & Luxury Goods 2.1%		
PVH	14,000	1,921
Tapestry	177,000	7,829
		9,750
Total Consumer Discretionary		**67,279**
Consumer Staples 2.1%		
Food & Staples Retailing 1.1%		
Casey's General Stores	25,000	2,798
Sprouts Farmers Market (1)	93,000	2,265
		5,063
Food Products 1.0%		
Conagra Brands	54,000	2,034
TreeHouse Foods (1)	54,000	2,671
		4,705
Total Consumer Staples		**9,768**
Energy 1.3%		
Oil, Gas & Consumable Fuels 1.3%		
ARC Resources (CAD)	77,000	904
Centennial Resource Development Class A (1)	73,000	1,445
Concho Resources (1)	23,000	3,455
Venture Global LNG Series C, Acquisition Date: 10/16/17 Cost $460 (1)(2)(3)	122	460
Total Energy		**6,264**
Financials 9.3%		
Banks 0.8%		
Fifth Third Bancorp	77,000	2,336
Webster Financial	24,000	1,348
		3,684
Capital Markets 3.8%		
CBOE Global Markets	46,000	5,731
KKr, Partnership (1)	65,064	1,370
MarketAxess Holdings	6,967	1,406
MSCI	15,000	1,898

(Cost and value in $000s)	Shares	$ Value
Oaktree Capital Partnership	16,111	678
TD Ameritrade Holding	127,000	6,494
		17,577
Consumer Finance 0.3%		
SLM Corporation (1)	147,000	1,661
		1,661
Insurance 4.4%		
FNF	169,000	6,632
Progressive	116,000	6,533
Willis Towers Watson	47,000	7,082
		20,247
Total Financials		**43,169**
Health Care 18.3%		
Biotechnology 3.1%		
Alkermes (1)	85,000	4,652
Alnylam Pharmaceuticals (1)	27,000	3,430
Bioverativ (1)	19,000	1,025
Incyte (1)	17,456	1,653
SAGE Therapeutics (1)	150	25
Seattle Genetics (1)	19,000	1,017
TESARO (1)	6,000	497
Vertex Pharmaceuticals (1)	12,000	1,798
		14,097
Health Care Equipment & Supplies 7.2%		
Cooper Companies	31,000	6,754
Dentsply Sirona	42,000	2,765
Dexcom (1)	27,000	1,550
Hologic (1)	184,000	7,866
IDEXX Laboratories (1)	5,000	782
Intuitive Surgical (1)	3,000	1,095
Teleflex	42,000	10,450
West Pharmaceutical Services	23,000	2,269
		33,531
Health Care Providers & Services 2.4%		
Acadia Healthcare (1)	42,000	1,371
Envision Healthcare (1)	108,000	3,733
Henry Schein (1)	38,000	2,655
Mednax (1)	62,000	3,313
		11,072
Health Care Technology 0.4%		
athenahealth (1)	7,000	931
Veeva Systems, Class A (1)	19,000	1,050
		1,981
Life Sciences Tools & Services 3.8%		
Agilent Technologies	107,000	7,166
Bruker	153,000	5,251
Illumina (1)	12,000	2,622
IQVIA Holdings (1)	27,000	2,643
		17,682
Pharmaceuticals 1.4%		
Catalent (1)	92,000	3,779
Zoetis	38,000	2,738
		6,517
Total Health Care		**84,880**
Industrials & Business Services 20.7%		
Aerospace & Defense 4.8%		
BWX Technologies	25,423	1,538
Harris	46,000	6,516
Maxar Technologies	44,202	2,843
Rockwell Collins	8,000	1,085
Textron	182,000	10,299
		22,281
Airlines 0.6%		
United Continental (1)	39,000	2,628
		2,628
Building Products 0.8%		
Allegion	46,000	3,660
		3,660
Commercial Services & Supplies 1.7%		
KAR Auction Services	61,000	3,081
Waste Connections	69,000	4,895
		7,976

(Cost and value in $000s)	Shares	$ Value
Electrical Equipment 2.0%		
Acuity Brands	12,000	2,112
Sensata Technologies Holding (1)	145,000	7,411
		9,523
Industrial Conglomerates 1.7%		
Roper Technologies	31,000	8,029
		8,029
Machinery 4.4%		
Colfax (1)	72,718	2,881
Fortive	58,000	4,196
Gardner Denver Holdings (1)	52,000	1,764
IDEX	56,520	7,459
Xylem	58,000	3,956
		20,256
Professional Services 3.0%		
Equifax	23,000	2,712
IHS Markit (1)	69,000	3,115
TransUnion (1)	64,000	3,518
Verisk Analytics, Class A (1)	48,000	4,608
		13,953
Road & Rail 0.9%		
J.B. Hunt Transport Services	11,000	1,265
Kansas City Southern	27,000	2,841
		4,106
Trading Companies & Distribution 0.8%		
HD Supply Holdings (1)	92,000	3,683
		3,683
Total Industrials & Business Services		**96,095**
Information Technology 22.8%		
Electronic Equipment, Instruments & Components 2.2%		
Coherent (1)	7,000	1,976
Corning	15,000	480
Keysight Technologies (1)	154,000	6,406
National Instruments	31,000	1,290
		10,152

(Cost and value in $000s)	Shares	$ Value
Internet Software & Services 2.5%		
CoStar Group (1)	7,600	2,257
Dropbox, Class B Acquisition Date: 5/1/12 Cost $77 (1)(2)(3)	8,506	100
IAC/InterActiveCorp (1)	31,000	3,791
Match, Class A (1)	38,000	1,190
Shopify, Class A (1)	9,000	909
VeriSign (1)	23,000	2,632
Zillow Group, Class A (1)	7,000	285
Zillow Group, Class C (1)	8,000	327
		11,491
IT Services 7.7%		
Black Knight (1)	69,000	3,046
CoreLogic (1)	78,000	3,605
CSRA	96,000	2,872
Fidelity National Information	27,000	2,541
Fiserv (1)	62,000	8,130
FleetCor Technologies (1)	15,000	2,887
Gartner (1)	15,000	1,847
Global Payments	50,000	5,012
Vantiv, Class A (1)	77,000	5,663
		35,603
Semiconductors & Semiconductor Equipment 4.1%		
KLA-Tencor	12,000	1,261
Marvell Technology Group	166,000	3,564
Microchip Technology	93,000	8,173
Microsemi (1)	27,000	1,394
Xilinx	69,000	4,652
		19,044
Software 6.3%		
Atlassian, Class A (1)	56,000	2,549
CDK Global	35,000	2,495
Electronic Arts (1)	29,000	3,047
Guidewire Software (1)	19,000	1,411
Red Hat (1)	46,000	5,525
ServiceNow (1)	8,000	1,043
Splunk (1)	34,000	2,816

(Cost and value in $000s)	Shares	$ Value
SS&C Technologies Holdings	61,000	2,469
Symantec	93,000	2,609
Tableau Software Class A (1)	28,000	1,938
Workday (1)	36,000	3,663
		29,565
Total Information Technology		**105,855**
Materials 5.3%		
Chemicals 3.1%		
Air Products & Chemicals	31,000	5,086
Ashland Global Holdings	25,000	1,780
RPM	61,000	3,198
Valvoline	170,000	4,260
		14,324
Construction Materials 0.6%		
Martin Marietta Materials	12,000	2,653
		2,653
Containers & Packaging 1.1%		
Ardagh	9,000	190
Ball	138,000	5,223
		5,413
Metals & Mining 0.5%		
Franco-Nevada	31,000	2,479
		2,479
Total Materials		**24,869**
Real Estate 0.1%		
Real Estate Management & Development 0.1%		
WeWork, Class A Acquisition Date: 12/9/14 - 5/26/15 Cost $121 (1)(2)(3)	8,345	383
Total Real Estate		**383**
Total Common Stocks (Cost $261,320)		**438,562**

(Cost and value in $000s)	Shares	$ Value
CONVERTIBLE PREFERRED STOCKS 0.7%		
Information Technology 0.3%		
Internet Software & Services 0.3%		
Dropbox, Series A Acquisition Date: 5/1/12 Cost $96 (1)(2)(3)	10,562	124
Dropbox, Series A-1 Acquisition Date: 5/1/12 Cost $469 (1)(2)(3)	51,884	608
Roofoods, Series F Acquisition Date: 9/12/17 Cost $662 (1)(2)(3)	1,871	661
Total Information Technology		**1,393**
Real Estate 0.4%		
Real Estate Management & Development 0.4%		
WeWork, Series D-1 Acquisition Date: 12/9/14 Cost $362 (1)(2)(3)	21,721	996
WeWork, Series D-2 Acquisition Date: 12/9/14 Cost $284 (1)(2)(3)	17,066	782
Total Real Estate		**1,778**
Total Convertible Preferred Stocks (Cost $1,873)		**3,171**
SHORT-TERM INVESTMENTS 5.1%		
Money Market Funds 5.1%		
T. Rowe Price Treasury Reserve Fund, 1.25% (4)(5)	23,482,443	23,482
Total Short-Term Investments (Cost $23,482)		**23,482**

	$ Value
(Cost and value in $000s)	
Total Investments in Securities	
100.2% of Net Assets (Cost $286,675)	**$ 465,215**

‡ 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 $4,114 and represents 0.9% of net assets.
(3) Level 3 in fair value hierarchy. See Note 2.
(4) Seven-day yield
(5) Affiliated Company
CAD Canadian Dollar

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the year ended December 31, 2017. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Treasury Reserve Fund	$ —	$ —	$ 223
T. Rowe Price Short-Term Fund	—	—	—++
Totals	$ —#	$ —	$ 223+

Supplementary Investment Schedule

Affiliate	Value 12/31/16	Purchase Cost	Sales Cost	Value 12/31/17
T. Rowe Price Treasury Reserve Fund	$ 16,852	¤	¤	$ 23,482
T. Rowe Price Short-Term Fund	—	¤	¤	—
				$ 23,482^

Capital gain/loss 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 $223 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 $23,482.

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

T. Rowe Price Mid-Cap Growth Portfolio
December 31, 2017
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $286,675)	$	465,215
Receivable for investment securities sold		249
Dividends receivable		215
Receivable for shares sold		74
Cash		21
Foreign currency (cost $2)		2
Other assets		1
Total assets		465,777
Liabilities		
Payable for shares redeemed		745
Investment management and administrative fees payable		356
Payable for investment securities purchased		337
Other liabilities		1
Total liabilities		1,439
NET ASSETS	**$**	**464,338**
Net Assets Consist of:		
Accumulated undistributed net realized gain	$	4,578
Net unrealized gain		178,540
Paid-in capital applicable to 16,513,122 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		281,220
NET ASSETS	**$**	**464,338**
NET ASSET VALUE PER SHARE		
Mid-Cap Growth Class ($411,411,643 / 14,560,730 shares outstanding)	**$**	**28.25**
Mid-Cap Growth - II Class ($52,926,369 / 1,952,392 shares outstanding)	**$**	**27.11**

The accompanying notes are an integral part of these financial statements.

Statement of Operations

T. Rowe Price Mid-Cap Growth Portfolio
($000s)

	Year Ended 12/31/17
Investment Income (Loss)	
Income	
Dividend	$ 3,173
Interest	14
Securities lending	5
Total income	3,192
Expenses	
Investment management and administrative expense	3,758
Rule 12b-1 fees - Mid-Cap Growth-II Class	142
Total expenses	3,900
Net investment loss	(708)
Realized and Unrealized Gain / Loss	
Net realized gain on securities	50,405
Change in net unrealized gain / loss on securities	46,985
Net realized and unrealized gain / loss	97,390
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 96,682**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

T. Rowe Price Mid-Cap Growth Portfolio
($000s)

	Year Ended 12/31/17	12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment loss	$ (708)	$ (563)
Net realized gain	50,405	34,480
Change in net unrealized gain / loss	46,985	(9,934)
Increase in net assets from operations	96,682	23,983
Distributions to shareholders		
Net realized gain		
Mid-Cap Growth Class	(47,398)	(22,792)
Mid-Cap Growth-II Class	(6,203)	(3,575)
Decrease in net assets from distributions	(53,601)	(26,367)
Capital share transactions*		
Shares sold		
Mid-Cap Growth Class	17,632	27,417
Mid-Cap Growth-II Class	8,941	5,781
Distributions reinvested		
Mid-Cap Growth Class	47,398	22,792
Mid-Cap Growth-II Class	6,203	3,575
Shares redeemed		
Mid-Cap Growth Class	(43,547)	(45,902)
Mid-Cap Growth-II Class	(23,135)	(6,668)
Increase in net assets from capital share transactions	13,492	6,995
Net Assets		
Increase during period	56,573	4,611
Beginning of period	407,765	403,154
End of period	**$ 464,338**	**$ 407,765**
Undistributed net investment income	–	–
*Share information		
Shares sold		
Mid-Cap Growth Class	608	1,060
Mid-Cap Growth-II Class	316	232
Distributions reinvested		
Mid-Cap Growth Class	1,671	880
Mid-Cap Growth-II Class	228	143
Shares redeemed		
Mid-Cap Growth Class	(1,523)	(1,778)
Mid-Cap Growth-II Class	(811)	(270)
Increase in shares outstanding	489	267

The accompanying notes are an integral part of these financial statements.

T. Rowe Price Equity Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Mid-Cap Growth Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. Shares of the fund currently are offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks to provide long-term capital appreciation by investing in mid-cap stocks with potential for above-average earnings growth. The fund has two classes of shares: the Mid-Cap Growth Portfolio (Mid-Cap Growth Class) and the Mid-Cap Growth Portfolio–II (Mid-Cap Growth–II Class). Mid-Cap Growth Portfolio–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Earnings on investments recognized as partnerships for federal income tax purposes reflect the tax character of such earnings. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Income distributions are declared and paid by each class annually. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting Investment income, investment management and administrative expense, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class. Mid-Cap Growth–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

Rebates Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled $5,000 for the year ended December 31, 2017.

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.

On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

NOTE 2 - VALUATION

The fund's financial instruments are valued and each class's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) is an internal committee that has been delegated certain responsibilities by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices for domestic securities and the last quoted sale or closing price for international securities.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted to reflect the fair value of such securities at the close of the NYSE. If the fund determines that developments between the close of a foreign market and the close of the NYSE will affect the value of some or all of its portfolio securities, the fund will adjust the previous quoted prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust quoted prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with quoted prices and information to evaluate or adjust those prices. The fund cannot predict how often it will use quoted prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares quoted prices, the next day's opening prices in the same markets, and adjusted prices.

Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. Non-U.S. equity securities generally are categorized in Level 2 of the fair value hierarchy despite the availability of quoted prices because, as described above, the fund evaluates and determines whether those quoted prices reflect fair value at the close of the NYSE or require adjustment. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on December 31, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ 23,482	$ –	$ –	$ 23,482
Common Stocks	436,715	904	943	438,562
Convertible Preferred Stocks	–	–	3,171	3,171
Total	$ 460,197	$ 904	$ 4,114	$ 465,215

There were no material transfers between Levels 1 and 2 during the year ended December 31, 2017.

Following is a reconciliation of the fund's Level 3 holdings for the year ended December 31, 2017. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at December 31, 2017, totaled $732,000 for the year ended December 31, 2017.

($000s)	Beginning Balance 1/1/17	Gain (Loss) During Period	Total Purchases	Total Sales	Ending Balance 12/31/17
Investments in Securities					
Common Stocks	$ 458	$ 193	$ 460	$ (168)	$ 943
Convertible Preferred Stocks	1,856	653	662	–	3,171
Total Level 3	$ 2,314	$ 846	$ 1,122	$ (168)	$ 4,114

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, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the

fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At December 31, 2017, there were no securities on loan.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $103,227,000 and $151,913,000, respectively, for the year ended December 31, 2017.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications between income and gain relate primarily to the offset of the current net operating loss against realized gains. For the year ended December 31, 2017, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

($000s)		
Undistributed net investment income	$	708
Undistributed net realized gain		(708)

Distributions during the years ended December 31, 2017 and December 31, 2016, were characterized for tax purposes as follows:

($000s)	December 31			
		2017		2016
Ordinary income	$	4,385	$	518
Long-term capital gain		49,216		25,849
Total distributions	$	53,601	$	26,367

At December 31, 2017, the tax-basis cost of investments, including derivatives, and components of net assets were as follows:

($000s)		
Cost of investments	$	288,960
Unrealized appreciation	$	184,517
Unrealized depreciation		(8,262)
Net unrealized appreciation (depreciation)		176,255
Undistributed ordinary income		635
Undistributed long-term capital gain		6,228
Paid-in capital		281,220
Net assets	$	464,338

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales and the realization of gains/losses on passive foreign investment companies for tax purposes.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.85% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the year ended December 31, 2017, the aggregate value of purchases and sales cross trades with other funds or accounts advised by Price Associates was less than 1% of the fund's net assets as of December 31, 2017.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price Equity Series, Inc. and Shareholders of T. Rowe Price Mid-Cap Growth Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price Mid-Cap Growth Portfolio (one of the portfolios constituting T. Rowe Price Equity Series, Inc., hereafter referred to as the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodians, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 7, 2018

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

Tax Information (Unaudited) for the Tax Year Ended 12/31/17

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included:

- $4,385,000 from short-term capital gains.
- $49,216,000 from long-term capital gains, subject to a long-term capital gains tax rate of not greater than 20%.

For taxable non-corporate shareholders, $2,973,000 of the fund's income represents qualified dividend income subject to a long-term capital gains tax rate of not greater than 20%.

For corporate shareholders, $2,648,000 of the fund's income qualifies for the dividends-received deduction.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

About the Portfolio's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Bruce W. Duncan (1951) 2013 [191]	Chief Executive Officer and Director (2009 to December 2016), Chairman of the Board (January 2016 to present), and President (2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2012 [191]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present)
Paul F. McBride (1956) 2013 [191]	Advisory Board Member, Vizzia Technologies (2015 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [191]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program (2011 to 2015) and Board Member (2015 to present), National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession (2012 to present); Vice President (2015 to present), American Economic Association
John G. Schreiber (1946) 2001 [191]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder, Partner, and Cochairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016)
Mark R. Tercek (1957) 2009 [191]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [191]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds
Robert W. Sharps, CFA, CPA** (1971) 2017 [135]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; President, Equity Series

*Each inside director serves until retirement, resignation, or election of a successor.
**Effective April 1, 2017, Brian C. Rogers was replaced by Robert W. Sharps as an inside director of certain Price Funds.

Officers

Name (Year of Birth) Position Held With Equity Series	Principal Occupation(s)
Ziad Bakri, M.D., CFA (1980) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Brian W.H. Berghuis, CFA (1958) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John D. Linehan, CFA (1965) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Vice President and Secretary, T. Rowe Price and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore
Larry J. Puglia, CFA, CPA (1960) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With Equity Series	Principal Occupation(s)
Charles M. Shriver, CFA (1967) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Ken D. Uematsu, CFA (1969) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John F. Wakeman (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
Justin P. White (1981) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

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100 East Pratt Street
Baltimore, MD 21202

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December 31, 2017

Annual Report

Personal Strategy Balanced Portfolio

This report is authorized for distribution only to those who have received a copy of the portfolio's prospectus.

T. Rowe Price Investment Services, Inc., Distributor.

T. Rowe Price Personal Strategy Balanced Portfolio

Highlights

- Global stock markets rallied in 2017 as the global economic recovery broadened and corporate earnings improved worldwide. U.S. investment-grade bonds posted a modest return, while high yield bonds advanced amid continued demand for higher-risk assets. Non-U.S. dollar-denominated debt outpaced high yield as the dollar weakened against most developed markets currencies.
- The Personal Strategy Balanced Portfolio returned 7.33% and 17.41% for the six and 12 months ended December 31, 2017, respectively, outperforming its combined index benchmark and Lipper peer group average over both periods.
- Synchronized global growth has brightened the macro and profitability outlooks for most regions. However, current valuations in global stock markets and for riskier assets in general largely reflect this view, and may not sufficiently account for risks including the prospective tightening in monetary stimulus worldwide.
- We believe the Personal Strategy Balanced Portfolio's broad diversification and ability to exploit investment opportunities in various sectors and regions should benefit investors in a range of potential market environments.

The views and opinions in this report were current as of December 31, 2017. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Dear Investor

Stocks and bonds worldwide strengthened in 2017 as the global economic upswing that began at the end of 2016 continued to gain momentum. The major U.S. stock market indexes repeatedly hit record highs as corporate earnings rose and investors anticipated that corporate tax cuts would boost profits even further. Stocks in international developed and emerging markets posted strong returns as growth in Europe and Japan accelerated and global demand lifted export-driven economies in the developing world. In fixed income, U.S. investment-grade bonds posted a modest return while high yield bonds gained on rising oil prices and steady demand for higher-yielding assets. Non-U.S. dollar-denominated debt surged as the dollar fell against most developed markets currencies. In this supportive environment, the Personal Strategy Balanced Portfolio posted a strong return in 2017 and outperformed its performance benchmark and Lipper peer group.

The Personal Strategy Balanced Portfolio returned 7.33% and 17.41% for the six and 12 months ended December 31, 2017, respectively. The portfolio outperformed its combined index benchmark, which returned 7.14% and 14.63% over the corresponding periods, as well as its Lipper peer group average.

Performance Comparison

Periods Ended 12/31/17	Total Return 6 Months	12 Months
Personal Strategy Balanced Portfolio	7.33%	17.41%
Morningstar Moderate Target Risk Index	7.26	14.66
Combined Index Portfolio*	7.14	14.63
Lipper Variable Annuity Underlying Mixed-Asset Target Allocation Moderate Funds Average	6.33	13.40

*For a definition of the benchmark, please see the glossary.

The Personal Strategy Balanced Portfolio's performance versus its peers over longer time periods remained solid. The portfolio is in the top decile of its Lipper peer group for the trailing one- and three-year periods, the top quartile in the trailing five-year period, and in the top quintile in the trailing 10-year period. Based on cumulative total return, Lipper ranked the Personal Strategy Balanced Portfolio 14 of 273, 15 of 258, 52 of 218, and 23 of 130 variable annuity underlying mixed-asset target allocation moderate funds for the 1-, 3-, 5-, and 10-year periods ended December 31, 2017, respectively. *(Past performance cannot guarantee future results.)*

Security selection in the portfolio's underlying investments contributed the most to outperformance against the combined index benchmark. Favorable security selection in U.S. large-cap growth and U.S. large-cap value stocks added the most to relative returns, as these underlying strategies outpaced their respective benchmarks. Selection in international developed and emerging markets stocks was also positive. On the other hand, selection in real assets equities and U.S. investment-grade bonds detracted from relative returns as both underlying strategies trailed their respective benchmarks over the period.

The inclusion of diversifying sectors that are not part of the portfolio's broad fixed income benchmark also helped relative performance. Our exposure to international developed markets bonds lifted relative returns as most global currencies strengthened against the dollar, producing good returns for non-U.S. dollar-denominated debt. Additionally, our exposure to emerging markets and high yield bonds contributed to relative performance amid strong risk appetite and rising oil prices, which benefited the energy companies that dominate the high yield market. On the other hand, an allocation to real assets weighed on relative returns as this asset class lagged broader equity markets over the period. Tactical decisions to overweight and underweight asset classes had a modestly positive impact on relative performance.

Market Environment

Signs of a global growth pickup grew more plentiful over 2017, pointing to "the broadest synchronized upswing the world economy has experienced in the last decade," as the International Monetary Fund stated in July. The U.S. economy grew at a revised 3.2% annual rate in the third quarter of 2017, its strongest expansion since the first quarter of 2015. The S&P 500 Index and other U.S. stock market indexes hit record levels amid better-than-expected earnings and optimism about tax changes and other pro-business policies under President

Donald Trump. Large-cap shares outperformed their smaller peers, and growth stocks exceeded value stocks across all market capitalizations. The strong performance in the U.S. and other major markets occurred even as the Federal Reserve continued to tighten its accommodative monetary policy in place since the 2008 financial crisis. The Fed raised short-term interest rates three times over the year and signaled three more increases in 2018.

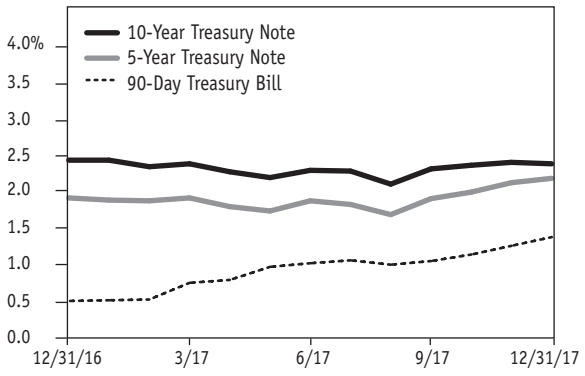
Major Index Returns

Periods Ended 12/31/17	6 Months	12 Months
S&P 500 Index	11.42%	21.83%
MSCI All Country World Index ex USA	11.63	27.77
MSCI Emerging Markets Index	16.15	37.75
Bloomberg Barclays U.S. Aggregate Bond Index	1.24	3.54
Citigroup 3-Month Treasury Bill	0.54	0.84
Credit Suisse High Yield Index	2.54	7.03

Note: Unlike stocks and bonds, U.S. Treasuries are guaranteed as to the timely payment of principal and interest.

Stocks in developed European markets rose as corporate earnings and economic growth picked up across the Continent. The eurozone economy grew 2.6% year over year in the third quarter, marking the currency area's highest growth rate since the start of 2011. The strengthening recovery led the European Central Bank to announce that it would reduce the size of its monthly bond purchases starting in January 2018 and extend the program until September and possibly longer, despite inflation remaining well below the bank's target. Japanese stocks rallied as the country's recovery gained steam. Japan's gross domestic product expanded an upwardly revised 2.5% annual pace in the third quarter, marking the country's seventh straight quarter of growth and longest expansion in 16 years. However, inflation in Japan remains far below target, and years of ultra-loose monetary policy have so far failed to boost weak consumption. Emerging markets stocks soared as evidence of improving global demand, rising corporate earnings, and strong growth in China drove the asset class to its best performance since 2009.

Interest Rate Levels



Source: Federal Reserve Board.

U.S. investment-grade bonds generated slightly positive returns. The Treasury yield curve flattened in 2017 as shorter-maturity securities increased amid expectations of gradual Fed tightening while longer-maturity yields declined. The yield on the benchmark 10-year note declined to 2.40% at the end of 2017 compared with 2.45% from a year earlier, though it decreased to a 10-month low of 2.04% in September as rising tensions with North Korea spurred demand for safe-haven assets. High yield bonds outperformed their investment-grade peers as rising oil prices brightened the outlook for the energy companies that comprise a large part of the high yield market. Low yields on sovereign bonds in most developed markets outside the U.S. also spurred demand for credit, including high yield bonds.

Non-U.S. dollar-denominated bonds in developed markets gained as the dollar fell sharply against most developed markets currencies in 2017, reflecting a steady depreciation trend since January. For the year, the euro and British pound strengthened roughly 14% and 9% against the dollar, respectively, while the Japanese yen gained nearly 4%. The gains in most global currencies versus the dollar helped offset declining prices of government bonds in local currency terms as yields increased in many developed markets. Dollar-denominated emerging markets bonds also performed strongly as relatively higher interest rates in developing countries drew yield-seeking investors.

Portfolio Review and Positioning

The investment objective of the Personal Strategy Balanced Portfolio is to generate the highest total return consistent with an equal emphasis on both income and capital appreciation. The portfolio's typical asset mix is 60% stocks and 40% bonds, cash, and money market securities, though allocations can vary by as much as 10 percentage points above or below these levels. As of December 31, 2017, the portfolio's stock allocation was 58.0%, while bonds and reserves represented 42.0%.

Asset Allocation

The Personal Strategy Balanced Portfolio has the ability to overweight or underweight allocations to asset classes or sub-asset classes based on the views of the T. Rowe Price Asset Allocation Committee. The Committee meets every month to evaluate economic, market, and earnings trends and to look for opportunities over a 6- to 18-month investment horizon. We typically seek to overweight segments of the market that we believe are undervalued and underweight areas that appear fully valued. Several years of strong performance have left valuations at or above fair value in many asset classes, which has reduced the number of compelling investment opportunities. However, we continue to find opportunities in select areas where valuations appear more attractive, and have reduced allocations where we see potential risks.

As of December 31, 2017, we are underweight stocks relative to bonds after ending 2016 with a neutral weight. We reduced our allocation over the year given our view of extended stock valuations, especially in the U.S., and elevated earnings expectations in an environment of modest economic growth. On the other hand, we believe that bonds offer downside protection despite low yields, extended duration, and expectations for interest rates worldwide to gradually rise in the coming months.

Stocks

We ended 2017 overweight to international stocks relative to U.S. stocks. We increased our overweight allocation over the year given our view that valuations in the U.S. appear extended relative to stocks in overseas markets, which are benefiting from stronger economic growth, positive earnings trends, and greater exposure to improving global trade. Over the summer, we shifted from an underweight allocation to emerging market stocks relative to developed market stocks to a neutral stance. Our positioning shift reflected a lower risk of broad protectionist trade policies being implemented by the Trump administration, with greater likelihood of more targeted trade policy by country and sector. Economic and earnings growth trends in emerging markets have been supportive, and while the rally in emerging markets stocks has pushed valuations above their historical averages, they remain attractively valued versus their developed markets peers.

Portfolio Overview

	Percent of Net Assets 12/31/17
Reserves	4.5%
Bonds	37.5%
Stocks	58.0%
Largest Stock Holdings	
Amazon.com	1.5
Microsoft	1.4
Alphabet	1.0
JPMorgan Chase	0.9
Facebook	0.9
Tyson Foods	0.7
Alibaba Group Holding	0.7
Boeing	0.7
Morgan Stanley	0.7
Priceline	0.7

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

We maintained an underweight to real assets equities over the year. Our stance reflects our continued caution regarding long-term imbalances between global energy supply and demand and an incipient slowdown in China, whose government has prioritized slower but more sustainable economic growth in the coming years. As for real estate investment trusts, we believe that they are fairly valued and vulnerable to rising interest rates.

At period-end, we increased our overweight to U.S. small-cap stocks and associated underweight to large-cap stocks based on expectations that smaller companies will benefit more from lower tax rates resulting from the tax overhaul bill passed by Congress in December. We began to increase our small-cap stocks overweight in the spring to take advantage of their more attractive valuations after small-caps lagged large-caps for an extended period. We ended the period neutral between U.S. growth and value stocks after reducing our growth stocks overweight following a period of significant outperformance. Though we are confident about the long-term secular growth prospects of leading

companies in growth-oriented sectors, we reduced our allocation as valuations became less compelling. Moreover, we believe that value-focused sectors such as financials and energy could also benefit from increased spending, tax cuts, and deregulation in the near term.

Amazon.com, **Microsoft**, and **Facebook** ranked among the top contributors to returns as investors piled into fast-growing technology companies. **Boeing** was a major contributor as the aerospace company reported surprisingly strong earnings over the year, aided by rising air traffic growth and global airline profitability. Among non-U.S. stocks, Chinese Internet companies **Alibaba** and **Tencent** produced outsized gains as both solidified their dominance in China's online economy. Detractors were led by car parts retailer **O'Reilly Automotive**, whose shares recorded their biggest-ever percentage drop in July after the company's quarterly sales trailed its forecast, and utility **PG&E**, whose performance reflected investor concerns about its potential liability in deadly wildfires that struck Northern California in October. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Bonds

We gradually moved from an overweight to high yield bonds relative to U.S. investment-grade bonds at the start of the year to an underweight allocation by year-end as valuations became less compelling after a period of strong performance in the high yield sector. Despite the yield advantage that high yield debt has over investment-grade bonds, we believe that current valuations for high yield bonds offer limited upside potential. We moved to an underweight to emerging markets bonds relative to U.S. investment-grade bonds in December—departing from a neutral stance that we maintained for most of the year—amid elevated idiosyncratic risks in several countries, such as Brazil, Turkey, and Venezuela, as well as less attractive valuations for emerging markets bonds following strong performance in 2017.

We stayed underweight to nondollar bonds relative to U.S. investment-grade bonds and increased the size of our underweight in the fall. Developed markets bonds outside the U.S. have a less attractive outlook due to their low yields and long duration, and European bonds are at risk for capital losses if interest rates rise as the European Central Bank draws closer to scaling back its quantitative easing program. Moreover, yields on U.S. investment-grade bonds are among the highest in developed markets, and we believe that the Fed will tighten policy at a gradual pace in the coming years.

Outlook

The broadening global economic recovery should be supportive for risk assets in 2018. However, relatively high stock valuations and low bond yields in many major markets provide little buffer against unexpected market events. Given elevated valuations, we believe that continued strong earnings growth will be required to sustain further stock market gains in the coming year. Regarding fixed income, we expect that low yields, tight credit spreads, and less accommodative central bank policies will leave little room for upside across most fixed income sectors. Despite these headwinds, bonds may help reduce overall portfolio volatility in times of heightened market uncertainty.

Positive factors include the potential for U.S. corporate tax cuts to drive further earnings growth and for domestic demand-driven recoveries underway in Europe and Japan to underpin lasting growth in their respective markets. On the other hand, risks to our outlook include a rise in geopolitical or trade tensions or the possibility of a central bank policy misstep. We are encouraged by the supportive factors underpinning our current outlook but are mindful of the geopolitical and policy risks that could derail the current recovery. In light of the many crosscurrents that have the potential to impact global financial markets, we believe that the Personal Strategy Balanced Portfolio's broad diversification and T. Rowe Price's strengths in fundamental research will allow us to continue generating solid returns for our investors over the long run.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

Charles Shriver
Portfolio manager and chairman of the portfolio's Investment Advisory Committee

January 15, 2018

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the portfolio's investment program.

Risks of Investing

As with all stock and bond mutual funds, each fund's share price can fall because of weakness in the stock or bond markets, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse political or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of companies held in a fund may prove incorrect, resulting in losses or poor performance even in rising markets.

Bonds are subject to interest rate risk, the decline in bond prices that usually accompanies a rise in interest rates, and credit risk, the chance that any fund holding could have its credit rating downgraded or that a bond issuer will default (fail to make timely payments of interest or principal), potentially reducing the fund's income level and share price. High yield corporate bonds could have greater price declines than funds that invest primarily in high-quality bonds. Companies issuing high yield bonds are not as strong financially as those with higher credit ratings, so the bonds are usually considered speculative investments.

Funds that invest overseas may carry more risk than funds that invest strictly in U.S. assets. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

Glossary

Bloomberg Barclays U.S. Aggregate Bond Index: An unmanaged index that tracks investment-grade bonds, including corporate, government, and mortgage-backed securities.

Citigroup 3-Month Treasury Bill Index: An unmanaged index that tracks short-term U.S. government debt instruments.

Glossary (continued)

Combined index benchmark: Unmanaged portfolio composed of the following underlying indexes as of June 30, 2017:

- Personal Strategy Balanced—60% stocks (42% Russell 3000 Index, 18% MSCI All Country World Index ex USA), 30% bonds (Bloomberg Barclays U.S. Aggregate Bond Index), and 10% money market securities (Citigroup 3-Month Treasury Bill Index).

Credit Suisse High Yield Index: Tracks the performance of domestic noninvestment-grade corporate bonds.

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

Morningstar Moderate Target Risk Index: Represents a portfolio of global equities (fixed at 60%), bonds, and other asset classes.

MSCI All Country World Index ex USA: An index that measures equity market performance of developed and emerging countries, excluding the U.S.

MSCI Emerging Markets Index: A capitalization-weighted index of stocks from emerging market countries that only includes securities that may be traded by foreign investors.

Russell 3000 Index: An index that tracks the performance of the 3,000 largest U.S. companies, representing approximately 98% of the investable U.S. equity market.

S&P 500 Index: An index that tracks the stocks of 500 primarily large-cap U.S. companies.

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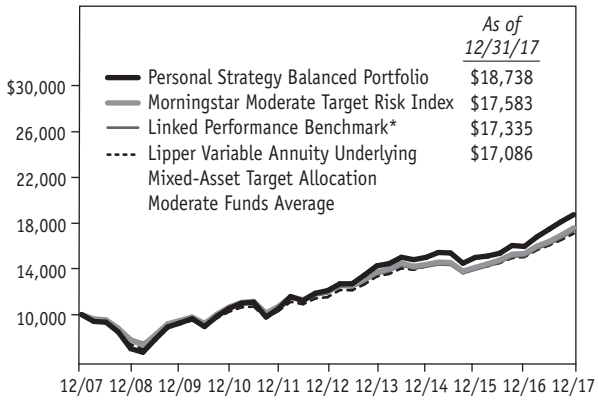
Growth of $10,000

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 may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

Personal Strategy Balanced Portfolio



*The linked performance benchmark reflects the performance of the Merrill Lynch-Wilshire Capital Market Index to 6/30/09 and the performance of the Morningstar Moderate Target Risk Index from 7/1/09 forward.

Average Annual Compound Total Return

Periods Ended 12/31/17	1 Year	5 Years	10 Years
Personal Strategy Balanced Portfolio	17.41%	9.16%	6.48%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Personal Strategy Balanced Portfolio

	Beginning Account Value 7/1/17	Ending Account Value 12/31/17	Expenses Paid During Period* 7/1/17 to 12/31/17
Actual	$1,000.00	$1,073.30	$4.08
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.27	3.97

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.78%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (365) to reflect the half-year period.

Financial Highlights

T. Rowe Price Personal Strategy Balanced Portfolio

	For a share outstanding throughout each period				
	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
NET ASSET VALUE					
Beginning of period	$ 19.17	$ 18.73	$ 20.56	$ 21.33	$ 19.55
Investment activities[1]					
Net investment income	0.30[2]	0.31[2]	0.34[2]	0.33[2]	0.31[2]
Net realized and unrealized gain / loss	3.02	0.89	(0.35)	0.75	3.15
Total from investment activities	3.32	1.20	(0.01)	1.08	3.46
Distributions					
Net investment income	(0.32)	(0.32)	(0.36)	(0.36)	(0.32)
Net realized gain	(1.08)	(0.44)	(1.46)	(1.49)	(1.36)
Total distributions	(1.40)	(0.76)	(1.82)	(1.85)	(1.68)
NET ASSET VALUE					
End of period	**$ 21.09**	**$ 19.17**	**$ 18.73**	**$ 20.56**	**$ 21.33**
Ratios/Supplemental Data					
Total return[3]	**17.41%[2]**	**6.45%[2]**	**(0.05)% [2]**	**5.20%[2]**	**17.93%[2]**
Ratio of total expenses to average net assets	0.78%[2]	0.77%[2]	0.77%[2]	0.77%[2]	0.77%[2]
Ratio of net investment income to average net assets	1.43%[2]	1.63%[2]	1.66%[2]	1.51%[2]	1.47%[2]
Portfolio turnover rate	61.8%	75.4%	71.5%	62.1%	57.4%
Net assets, end of period (in thousands)	$ 184,401	$ 159,611	$ 163,344	$ 188,404	$ 182,514

(1) Per share amounts calculated using average shares outstanding method.

(2) See Note 6. Excludes expenses permanently waived 0.12%, 0.13%, 0.13%, 0.13%, and 0.13% of average net assets for the years ended 12/31/17, 12/31/16, 12/31/15, 12/31/14, and 12/31/13, respectively, related to investments in T. Rowe Price mutual funds.

(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

The accompanying notes are an integral part of these financial statements.

Portfolio of Investments‡

T. Rowe Price Personal Strategy Balanced Portfolio
December 31, 2017

(Cost and value in $000s)	Shares/Par	$ Value
COMMON STOCKS 52.9%		
Consumer Discretionary 6.7%		
Auto Components 0.5%		
Aisin Seiki (JPY)	1,500	84
Aptiv	577	49
Autoliv, GDR (SEK)	1,105	141
Gentherm (1)	1,668	53
GKN (GBP)	23,118	99
Koito Manufacturing (JPY)	1,000	70
Magna International	7,064	400
Sumitomo Rubber Industries (JPY)	3,800	71
		967
Automobiles 0.6%		
BMW (EUR)	1,049	109
Ferrari	856	90
Honda Motor (JPY)	6,100	208
Suzuki Motor (JPY)	3,000	173
Tesla (1)	568	177
Toyota Motor (JPY)	4,800	306
		1,063
Distributors 0.0%		
Core-Mark Holding	1,037	33
		33
Diversified Consumer Services 0.1%		
American Public Education (1)	611	15
Bright Horizons Family Solutions (1)	220	21
Chegg (1)	4,102	67
J2 Acquisition (1)	2,406	24
		127
Hotels, Restaurants & Leisure 1.0%		
Compass Group (GBP)	8,558	185
Denny's (1)	4,320	57
Dunkin Brands Group	860	55
Fiesta Restaurant (1)	1,199	23
Hilton Worldwide Holdings	1,298	104
Jack in the Box	390	38
Marriott, Class A	2,514	341
McDonald's	900	155
MGM Resorts International	54	2
Norwegian Cruise Line Holdings (1)	4,113	219
Red Robin Gourmet Burgers (1)	771	43
Royal Caribbean Cruises	1,355	162
Sonic	2,677	74
Starbucks	76	4
Wingstop	1,570	61
Yum! Brands	3,465	283
		1,806
Household Durables 0.5%		
Lennar, Class A	2,740	173
Panasonic (JPY)	14,600	213
Persimmon (GBP)	5,812	215
Sony (JPY)	2,000	90
Tempur Sealy International (1)	1,340	84
Tri Pointe (1)	3,623	65
		840
Internet & Direct Marketing Retail 2.3%		
Amazon.com (1)	2,326	2,720
Ctrip.com International, ADR (1)	1,589	70
Netflix (1)	1,484	285
Priceline (1)	694	1,206
		4,281
Media 0.6%		
Cable One	94	66
Charter Communications Class A (1)	302	102
Comcast, Class A	1,860	75
CyberAgent (JPY)	2,700	105
Eutelsat Communications (EUR)	3,488	81
Liberty Global, Class A (1)	2,464	88
Stroeer SE & Co KGaA (EUR)	1,363	100

(Cost and value in $000s)	Shares/Par	$ Value
Twenty-First Century Fox	8,000	273
WPP (GBP)	10,965	198
		1,088
Multiline Retail 0.1%		
Dollar General	1,550	144
Lojas Renner (BRL)	7,087	76
Ollies Bargain Outlet Holdings (1)	870	46
Tuesday Morning (1)	3,970	11
		277
Specialty Retail 0.7%		
Burlington Stores (1)	520	64
Fdo Holdings, Class A (1)	106	5
Five Below (1)	520	34
Home Depot	1,691	320
Kingfisher (GBP)	50,358	230
L Brands	1,985	120
Lowe's	83	8
Lumber Liquidators (1)	330	10
Michaels (1)	2,070	50
Monro	1,030	59
National Vision Holdings (1)	263	11
O'Reilly Automotive (1)	9	2
RH (1)	279	24
Ross Stores	2,973	239
TJX	80	6
Ulta Beauty (1)	30	7
Zumiez (1)	910	19
		1,208
Textiles, Apparel & Luxury Goods 0.3%		
Burberry (GBP)	7,167	173
Kering (EUR)	409	192
Moncler (EUR)	4,632	145
Samsonite International (HKD)	26,400	121
Tapestry	163	7
		638
Total Consumer Discretionary		**12,328**

(Cost and value in $000s)	Shares/Par	$ Value
Consumer Staples 3.2%		
Beverages 0.3%		
Boston Beer, Class A (1)	260	50
Constellation Brands Class A	283	65
Diageo (GBP)	6,738	247
Kirin Holdings (JPY)	7,000	176
Monster Beverage (1)	320	20
		558
Food & Staples Retailing 0.5%		
Costco Wholesale	40	7
CVS Health	2,200	160
Performance Food (1)	1,180	39
Seven & i Holdings (JPY)	4,600	191
Wal-Mart	5,461	539
		936
Food Products 1.4%		
Bunge Limited	1,709	115
Cal-Maine Foods (1)	1,923	85
Danone (EUR)	1,514	127
Nestle (CHF)	8,050	692
Pinnacle Foods	1,190	71
Post Holdings (1)	670	53
Simply Good Foods (1)	2,112	30
TreeHouse Foods (1)	770	38
Tyson Foods, Class A	16,578	1,344
Wilmar International (SGD)	51,300	118
		2,673
Personal Products 0.5%		
Edgewell Personal Care (1)	680	40
L'Oreal (EUR)	1,055	234
Pola Orbis Holdings (JPY)	2,000	70
Unilever (GBP)	8,981	498
		842

(Cost and value in $000s)	Shares/Par	$ Value
Tobacco 0.5%		
British American Tobacco (GBP)	3,050	206
Philip Morris International	6,839	723
		929
Total Consumer Staples		**5,938**
Energy 1.9%		
Energy Equipment & Services 0.1%		
Dril-Quip (1)	430	21
Frank's International	1,910	13
NCS Multistage Holdings (1)	170	2
SEACOR Holdings (1)	587	27
WorleyParsons (AUD) (1)	9,348	104
		167
Oil, Gas & Consumable Fuels 1.8%		
Advantage Oil & Gas (CAD) (1)	2,378	10
Andeavor	1,326	152
Canadian Natural Resources	2,203	79
Centennial Resource Development Class A (1)	1,353	27
Chevron	2,319	290
Crew Energy (CAD) (1)	5,917	15
Devon Energy	1,100	45
Diamondback Energy (1)	380	48
Dorian LPG (1)	130	1
Encana	1,400	19
EOG Resources	3,799	410
Jagged Peak Energy (1)	1,370	22
Kosmos Energy (1)	786	5
Marathon Petroleum	3,420	226
Matador Resources (1)	1,034	32
Noble Energy	3,574	104
Occidental Petroleum	3,488	257
Royal Dutch Shell B Shares, ADR	3,489	238
Statoil (NOK)	5,510	118
Total (EUR)	7,494	414
Total, Rights 1/3/18 (EUR) (1)	7,494	—
Total, ADR	4,544	251
TransCanada	10,553	513
Venture Global LNG Series C, Acquisition Date: 5/25/17-10/16/17 Cost $15 (1)(2)(3)	4	15
		3,291
Total Energy		**3,458**
Financials 10.4%		
Banks 5.1%		
ABN Amro, GDR (EUR)	2,945	95
Atlantic Capital Bancshares (1)	1,161	20
Australia & New Zealand Banking (AUD)	11,209	250
Bank of NT Butterfield & Son	600	22
BankUnited	2,410	98
Barclays, ADR	4,004	44
Blue Hills Bancorp	1,044	21
BNP Paribas (EUR)	4,703	350
Bridge Bancorp	1,040	36
Citigroup	8,859	659
Columbia Banking System	434	19
Commerzbank (EUR) (1)	4,882	73
Danske Bank A Shares (DKK)	4,312	168
DBS Group (SGD)	13,575	251
DNB (NOK)	16,250	301
Erste Group Bank (EUR)	3,045	132
FB Financial (1)	1,050	44
Fifth Third Bancorp	8,930	271
First Hawaiian	1,004	29
First Republic Bank	33	3
Guaranty Bancorp	910	25
Heritage Commerce	1,568	24
Heritage Financial	800	25
Home Bancshares	1,980	46
Hope Bancorp	1,480	27

(Cost and value in $000s)	Shares/Par	$ Value
Independent Bank Group	156	11
ING Groep (EUR)	18,794	345
Intesa Sanpaolo (EUR)	57,435	191
Investors Bancorp	2,560	36
JPMorgan Chase	15,965	1,707
KeyCorp	15,191	306
Live Oak Bancshares	1,104	26
Lloyds Banking Group (GBP)	246,773	226
Mitsubishi UFJ Financial (JPY)	26,800	195
National Bank of Canada (CAD)	4,700	235
National Commerce (1)	175	7
Nordea Bank (SEK)	24,878	301
Pacific Premier Bancorp (1)	810	32
Pinnacle Financial Partners	768	51
PNC Financial Services Group	2,643	381
Popular	900	32
Prosperity Bancshares	750	53
Seacoast Banking (1)	2,009	51
Simmons First National Class A	540	31
South State	353	31
Standard Chartered (GBP) (1)	10,848	114
Sumitomo Mitsui Trust Holdings (JPY) (4)	5,035	199
Svenska Handelsbanken A Shares (SEK)	17,519	239
Texas Capital Bancshares (1)	450	40
Towne Bank/Portsmouth VA	1,190	37
TriState Capital Holdings (1)	670	15
U.S. Bancorp	5,000	268
United Overseas Bank (SGD)	6,800	134
Univest	958	27
Webster Financial	757	42
Wells Fargo	14,983	909
Western Alliance Bancorp (1)	1,340	76
		9,381
Capital Markets 2.0%		
Ameriprise Financial	520	88

(Cost and value in $000s)	Shares/Par	$ Value
Bank of New York Mellon	5,577	300
CBOE Global Markets	756	94
Charles Schwab	2,311	119
Close Brothers Group (GBP)	1,474	29
GAM Holding (CHF)	5,538	89
Intercontinental Exchange	7,978	563
Macquarie Group (AUD)	2,196	170
Morgan Stanley	23,167	1,215
S&P Global	495	84
State Street	5,028	491
TD Ameritrade Holding	8,723	446
		3,688
Consumer Finance 0.3%		
American Express	30	3
Credit Saison (JPY)	4,800	87
DLP Payments Holdings Non-Voting Shares Acquisition Date: 7/10/17 Cost $10 (1)(2)(3)	11	13
Encore Capital (1)	870	37
PRA Group (1)	1,750	58
Santander Consumer USA Holdings	1,390	26
SLM Corporation (1)	6,154	69
Synchrony Financial	4,870	188
		481
Diversified Financial Services 0.3%		
Challenger (AUD)	17,309	189
Element Fleet Management (CAD)	17,000	128
Mitsubishi UFJ Lease & Finance (JPY)	17,800	106
Voya Financial	1,659	82
		505
Insurance 2.6%		
AIA Group (HKD)	23,000	196
American International Group	3,233	193
Assured Guaranty	1,314	44
Aviva (GBP)	22,858	156
AXA (EUR)	13,975	414

(Cost and value in $000s)	Shares/Par	$ Value
Chubb	3,681	538
Direct Line Insurance (GBP)	34,860	179
Enstar (1)	150	30
Hanover Insurance Group	590	64
Infinity Property & Casualty	489	52
Marsh & McLennan	3,920	319
MetLife	1,931	98
Munich Re (EUR)	1,913	413
Ping An Insurance H Shares (HKD)	14,000	145
Progressive	937	53
Prudential (GBP)	12,021	308
RSA Insurance Group (GBP)	19,409	165
Safety Insurance Group	336	27
Selective Insurance	1,450	85
State Auto Financial	860	25
Storebrand (NOK)	20,238	165
Sun Life Financial (CAD)	4,500	186
Tokio Marine Holdings (JPY)	5,000	227
Validus Holdings	630	29
Willis Towers Watson	2,426	366
XL Group	6,368	224
Zurich Insurance Group (CHF)	622	189
		4,890
Mortgage Real Estate Investment Trusts 0.0%		
Hannon Armstrong Sustainable Infrastructure, REIT	860	21
		21
Thrifts & Mortgage Finance 0.1%		
Beneficial Bancorp	2,103	35
Capitol Federal Financial	2,152	29
Clifton Bancorp	600	10
Essent (1)	420	18
Meridian Bancorp	1,693	35
PennyMac Financial Services, Class A (1)	580	13
Radian	2,270	47
Sterling Bancorp (1)	829	10
WSFS Financial	460	22
		219
Total Financials		**19,185**
Health Care 7.9%		
Biotechnology 1.2%		
Acceleron Pharma (1)	500	21
Alexion Pharmaceuticals (1)	2,508	300
Alkermes (1)	520	29
Aquinox Pharmaceuticals (1)	253	3
Argenx, ADR (1)	84	5
Axovant Sciences (1)	361	2
Biogen (1)	976	311
Blueprint Medicines (1)	428	32
Celgene (1)	650	68
CSL (AUD)	768	84
Exelixis (1)	1,090	33
Gilead Sciences	2,285	164
Global Blood Therapeutics (1)	341	13
Incyte (1)	245	23
Insmed (1)	1,618	51
Ironwood Pharmaceuticals (1)	2,780	42
Loxo Oncology (1)	90	8
Prothena (1)	1,102	41
Radius Health (1)	1,480	47
Regeneron Pharmaceuticals (1)	12	5
SAGE Therapeutics (1)	742	122
Seattle Genetics (1)	430	23
Shire, ADR	923	143
Spark Therapeutics (1)	635	33
TESARO (1)	335	28
Ultragenyx Pharmaceutical (1)	30	1
Vertex Pharmaceuticals (1)	3,064	459
Xencor (1)	765	17
		2,108
Health Care Equipment & Supplies 2.3%		
Abbott Laboratories	3,471	198

(Cost and value in $000s)	Shares/Par	$ Value
Becton Dickinson & Company	3,879	830
Boston Scientific (1)	1,100	27
Cooper Companies	490	107
Danaher	6,834	634
Elekta, B Shares (SEK)	6,926	57
GN Store Nord (DKK)	5,184	168
Halyard Health (1)	720	33
Hologic (1)	4,100	175
Intuitive Surgical (1)	1,143	417
K2M Group Holdings (1)	3,146	57
Koninklijke Philips (EUR)	8,352	316
Medtronic	5,050	408
Penumbra (1)	77	7
STERIS	640	56
Stryker	4,632	717
Wright Medical (1)	1,925	43
		4,250
Health Care Providers & Services 1.9%		
Acadia Healthcare (1)	850	28
Aetna	4,683	845
Anthem	2,062	464
Centene (1)	720	73
Cigna	1,749	355
Cross Country Healthcare (1)	1,330	17
Express Scripts Holding (1)	800	60
Fresenius (EUR)	4,364	339
HCA Healthcare (1)	787	69
Humana	743	184
LifePoint Health (1)	450	22
Miraca Holdings (JPY)	1,900	81
Molina Healthcare (1)	930	71
U.S. Physical Therapy	495	36
UnitedHealth Group	3,887	857
WellCare Health Plans (1)	248	50
		3,551
Health Care Technology 0.0%		
HMS Holdings (1)	2,370	40
		40

(Cost and value in $000s)	Shares/Par	$ Value
Life Sciences Tools & Services 0.4%		
Agilent Technologies	3,251	218
Bruker	1,287	44
Illumina (1)	47	10
Thermo Fisher Scientific	2,441	464
		736
Pharmaceuticals 2.1%		
Allergan	7	1
Astellas Pharma (JPY)	19,800	252
Bayer (EUR)	4,075	506
Catalent (1)	1,302	53
Dermira (1)	360	10
GlaxoSmithKline (GBP)	2,160	38
GlaxoSmithKline, ADR	6,500	231
Johnson & Johnson	1,823	255
Merck	10,972	617
MyoKardia (1)	230	10
Novartis, Regulation D Shares (CHF)	5,793	488
Novo Nordisk Class B (DKK)	2,297	123
Pacira Pharmaceuticals (1)	830	38
Perrigo	1,524	133
Pfizer	10,933	396
Roche Holding (CHF)	1,697	429
Sanofi (EUR)	2,986	257
Therapeutics MD (1)	4,812	29
WaVe Life Sciences (1)	536	19
Zoetis	393	28
		3,913
Total Health Care		**14,598**
Industrials & Business Services 5.7%		
Aerospace & Defense 1.2%		
Aerojet Rocketdyne Holdings (1)	898	28
Boeing	4,362	1,286
BWX Technologies	1,410	85
Harris	1,864	264

(Cost and value in $000s)	Shares/Par	$ Value
Meggitt (GBP)	28,693	186
Moog, Class A (1)	570	50
Northrop Grumman	253	78
Raytheon	24	5
Teledyne Technologies (1)	690	125
Textron	60	3
Triumph Group	705	19
United Technologies	1,031	132
		2,261
Air Freight & Logistics 0.2%		
FedEx	27	7
UPS, Class B	2,459	293
		300
Airlines 0.7%		
Alaska Air Group	2,059	151
American Airlines	14,732	767
Delta Air Lines	6,844	383
United Continental (1)	283	19
		1,320
Building Products 0.4%		
AAON	540	20
Fortune Brands Home & Security	1,850	127
Gibraltar Industries (1)	1,544	51
Johnson Controls International	8,475	323
Lennox International	241	50
PGT Innovations (1)	2,034	34
Quanex Building Products	1,282	30
Simpson Manufacturing	260	15
		650
Commercial Services & Supplies 0.2%		
Brinks Company	830	65
Cintas	310	48
Healthcare Services	360	19
MSA Safety	410	32
Multi-Color	129	10
Stericycle (1)	1,594	108
Team (1)	640	10

(Cost and value in $000s)	Shares/Par	$ Value
Waste Connections	1,072	76
		368
Construction & Engineering 0.0%		
Valmont Industries	361	60
		60
Electrical Equipment 0.5%		
ABB (CHF)	9,383	252
AZZ	920	47
Legrand (EUR)	2,305	177
Mitsubishi Electric (JPY)	22,700	376
Thermon Group Holdings (1)	1,320	31
		883
Industrial Conglomerates 1.0%		
CK Hutchison Holdings (HKD)	18,784	235
DCC (GBP)	1,726	174
Honeywell International	3,721	571
Roper Technologies	1,374	356
Sembcorp Industries (SGD)	11,509	26
Siemens (EUR)	3,139	434
		1,796
Machinery 0.9%		
Alamo	220	25
Barnes Group	990	63
Chart Industries (1)	1,810	85
ESCO Technologies	1,205	73
Fortive	2,610	189
Graco	960	43
John Bean Technologies	1,117	124
Luxfer Holdings	1,230	19
Mueller Water Products Class A	2,730	34
RBC Bearings (1)	330	42
Rev Group	828	27
SMC (JPY)	400	164
Stanley Black & Decker	2,222	377
Sun Hydraulics	180	12
THK (JPY)	5,900	220
Toro	799	52

(Cost and value in $000s)	Shares/Par	$ Value
Welbilt (1)	1,570	37
		1,586
Marine 0.0%		
Maersk, Series B (DKK)	18	31
Matson	1,310	39
		70
Professional Services 0.1%		
IHS Markit (1)	90	4
Recruit Holdings (JPY)	5,800	144
		148
Road & Rail 0.2%		
Canadian Pacific Railway	356	65
Central Japan Railway (JPY)	900	161
CSX	1,190	65
Knight-Swift Transportation Holdings	465	20
Landstar System	360	38
Saia (1)	524	37
Schneider National, Class B	1,021	29
Union Pacific	74	10
		425
Trading Companies & Distributors 0.3%		
GMS (1)	1,242	47
Mitsubishi (JPY)	5,900	163
Rush Enterprises, Class A (1)	550	28
SiteOne Landscape Supply (1)	1,140	87
Sumitomo (JPY)	19,000	322
		647
Total Industrials & Business Services		**10,514**
Information Technology 11.2%		
Communications Equipment 0.2%		
Cisco Systems	6,470	248
Finisar (1)	876	18
LM Ericsson, Class B (SEK)	11,870	78
Lumentum Holdings (1)	1,380	67
		411

(Cost and value in $000s)	Shares/Par	$ Value
Electronic Equipment, Instruments & Components 0.4%		
CTS	900	23
Hamamatsu Photonics (JPY)	2,000	67
Keysight Technologies (1)	3,899	162
Littelfuse	60	12
National Instruments	1,684	70
Novanta (1)	1,965	98
Omron (JPY)	2,700	161
TE Connectivity	1,090	104
		697
Internet Software & Services 3.6%		
2U (1)	461	30
Alibaba Group Holding, ADR (1)	7,616	1,313
Alphabet, Class A (1)	557	587
Alphabet, Class C (1)	1,286	1,346
Baidu, ADR (1)	570	133
Cargurus (1)	863	26
Cargurus, Lock-Up Shares Class A, Acquisition Date: 7/7/15 – 8/23/16 Cost $8 (1)(2)	1,008	29
CoStar Group (1)	20	6
Coupa Software (1)	800	25
Etsy (1)	630	13
Facebook, Class A (1)	9,166	1,617
Five9 (1)	2,470	61
GrubHub (1)	877	63
GTT Communications (1)	380	18
Kakaku.com (JPY)	3,800	64
MongoDB (1)	196	6
MongoDB, Lock-Up Shares Class B, Acquisition Date: 10/2/13 Cost $4 (1)(2)	116	3
NAVER (KRW)	76	62
Quotient Technology (1)	1,279	15
SVMK (f/k/a/SurveyMonkey) Acquisition Date: 11/25/14 Cost $4 (1)(2)(3)	226	2

(Cost and value in $000s)	Shares/Par	$ Value
Tencent Holdings (HKD)	17,400	901
Tucows, Class A (1)	245	17
Wix.com (1)	698	40
Yahoo! Japan (JPY) (4)	22,600	104
YY, ADR (1)	1,400	158
Zillow, Class A (1)	60	2
Zillow, Class C (1)	140	6
		6,647
IT Services 1.8%		
Booz Allen Hamilton	1,730	66
Cardtronics (1)	1,820	34
CSRA	1,670	50
DST Systems	620	38
Fidelity National Information	1,512	142
Fiserv (1)	1,959	257
FleetCor Technologies (1)	493	95
Global Payments	2,090	210
Infosys, ADR	8,100	131
MasterCard, Class A	5,357	811
PayPal Holdings (1)	5,631	415
Vantiv, Class A (1)	943	69
Visa, Class A	8,780	1,001
		3,319
Semiconductors & Semiconductor Equipment 1.5%		
Ambarella (1)	170	10
Analog Devices	20	2
Applied Materials	2,211	113
ASML Holding (EUR)	908	158
ASML Holding	176	31
Broadcom	3,717	955
Entegris	840	25
Inphi (1)	310	11
Integrated Device Technology (1)	630	19
Lam Research	89	16
Lattice Semiconductor (1)	3,607	21
MACOM Technology Solutions Holdings (1)	480	16
Microchip Technology	1,022	90

(Cost and value in $000s)	Shares/Par	$ Value
Microsemi (1)	947	49
MKS Instruments	200	19
PDF Solutions (1)	1,459	23
Qualcomm	6,132	392
Rambus (1)	1,026	15
Renesas Electronics (JPY) (1)	6,800	79
Semtech (1)	720	25
Taiwan Semiconductor Manufacturing (TWD)	44,219	338
Texas Instruments	1,490	156
Tokyo Electron (JPY)	1,400	252
Xilinx	155	10
		2,825
Software 3.1%		
Activision Blizzard	893	57
Computer Modelling (CAD)	1,550	12
Cyber-Ark Software (1)	860	36
Descartes Systems (1)	2,420	69
Electronic Arts (1)	1,460	153
Ellie Mae (1)	515	46
Guidewire Software (1)	1,180	88
Intuit	1,933	305
Microsoft	31,172	2,666
MuleSoft, Class A (1)	690	16
Paylocity Holding (1)	100	5
Proofpoint (1)	890	79
Red Hat (1)	1,858	223
RingCentral, Class A (1)	597	29
Salesforce.com (1)	5,210	533
ServiceNow (1)	3,495	456
SS&C Technologies Holdings	3,060	124
Symantec	10,305	289
Synopsys (1)	2,610	222
Tableau Software, Class A (1)	756	52
VMware, Class A (1)	502	63
Workday (1)	1,460	148
Zendesk (1)	410	14
Zynga, Class A (1)	10,130	40
		5,725

(Cost and value in $000s)	Shares/Par	$ Value
Technology Hardware, Storage & Peripherals 0.6%		
Apple	4,645	786
Samsung Electronics (KRW)	108	257
		1,043
Total Information Technology		**20,667**
Materials 1.8%		
Chemicals 0.9%		
Air Liquide (EUR)	1,170	147
Asahi Kasei (JPY)	15,000	193
BASF (EUR)	1,621	178
CF Industries	3,600	153
Covestro (EUR)	1,030	106
DowDuPont	4,578	326
Johnson Matthey (GBP)	2,772	115
KMG Chemicals	370	24
Minerals Technologies	550	38
Orion Engineered Carbons	1,061	27
PolyOne	770	34
PPG Industries	148	17
Sherwin-Williams	392	161
Tosoh (JPY)	2,000	45
Umicore (EUR)	3,098	147
		1,711
Construction Materials 0.0%		
Martin Marietta Materials	60	13
Vulcan Materials	69	9
		22
Containers & Packaging 0.4%		
Amcor (AUD)	11,654	140
Ball	3,984	151
International Paper	5,927	343
		634
Metals & Mining 0.4%		
Antofagasta (GBP)	6,698	90
BHP Billiton (GBP)	6,571	133
BHP Billiton Limited (AUD)	2,080	48
Commercial Metals	1,000	21
Compass Minerals	230	17
Franco-Nevada (CAD)	220	18
Haynes International	910	29
Independence (AUD)	35,919	133
Northern Star Resources (AUD)	2,809	13
Osisko Gold Royalties (CAD) (4)	1,770	20
Rio Tinto (AUD)	1,332	78
South32 (AUD)	33,109	90
Steel Dynamics	554	24
		714
Paper & Forest Products 0.1%		
Louisiana Pacific (1)	990	26
Stora Enso, Class R (EUR)	9,576	152
		178
Total Materials		**3,259**
Real Estate 1.0%		
Equity Real Estate Investment Trusts 0.8%		
Acadia Realty Trust, REIT	670	18
Alexander & Baldwin, REIT	940	26
American Campus Communities, REIT	870	36
American Tower, REIT	1,808	258
Crown Castle International, REIT	2,200	244
EastGroup Properties, REIT	710	63
Equinix, REIT	212	96
Equity Commonwealth REIT (1)	1,340	41
Great Portland Estates (GBP)	8,647	80
Outfront Media, REIT	490	11
Paramount, REIT	2,120	34
PS Business Parks, REIT	663	83
Regency Centers, REIT	423	29
Retail Opportunity Investments, REIT	1,920	38
SBA Communications REIT (1)	80	13
Scentre (AUD)	38,637	126
Unibail-Rodamco (EUR)	670	169
Urban Edge Properties, REIT	760	20

(Cost and value in $000s)	Shares/Par	$ Value
Weyerhaeuser, REIT	3,747	132
		1,517
Real Estate Management & Development 0.2%		
Colliers International	480	29
FirstService	940	66
Mitsui Fudosan (JPY)	5,700	127
RE/MAX Holdings, Class A	460	22
		244
Total Real Estate		**1,761**
Telecommunication Services 1.2%		
Diversified Telecommunication Services 0.9%		
KT (KRW)	3,298	99
Nippon Telegraph & Telephone (JPY)	9,500	447
TDC (DKK)	30,479	187
Telecom Italia (EUR)	124,224	88
Telefonica (EUR)	14,250	139
Telefonica Deutschland Holding (EUR)	32,681	164
Telstra (AUD)	13,841	39
Verizon Communications	10,700	566
		1,729
Wireless Telecommunication Services 0.3%		
America Movil, ADR	5,000	85
Softbank (JPY)	1,500	119
Vodafone, ADR	10,309	329
		533
Total Telecommunication Services		**2,262**
Utilities 1.9%		
Electric Utilities 1.1%		
American Electric Power	4,623	340
Entergy	1,300	106
Eversource Energy	3,526	223
Exelon	1,807	71
NextEra Energy	2,644	413
PG&E	2,967	133
PNM Resources	1,740	70
Portland General Electric	260	12

(Cost and value in $000s)	Shares/Par	$ Value
Southern Company	6,200	298
SSE (GBP)	4,080	73
Westar Energy	4,100	216
		1,955
Gas Utilities 0.2%		
Atmos Energy	736	63
Chesapeake Utilities	470	37
ONE Gas	1,460	107
South Jersey Industries	620	20
Southwest Gas Holdings	660	53
		280
Independent Power & Renewable Electricity Producers 0.1%		
Electric Power Development (JPY)	4,900	132
NextEra Energy Partners Partnership	640	27
		159
Multi-Utilities 0.5%		
DTE Energy	1,567	171
E.ON (EUR)	6,683	72
Engie (EUR)	13,567	233
National Grid (GBP)	13,967	165
NiSource	3,700	95
Sempra Energy	2,466	264
		1,000
Water Utilities 0.0%		
California Water Service Group	1,150	52
Middlesex Water	34	2
		54
Total Utilities		**3,448**
Total Miscellaneous Common Stocks 0.0% **(5)**		**79**
Total Common Stocks (Cost $56,887)		**97,497**

(Cost and value in $000s)	Shares/Par	$ Value
CONVERTIBLE PREFERRED STOCKS 0.1%		
Consumer Staples 0.0%		
Food Products 0.0%		
Farmers Business Network Series D, Acquisition Date: 11/3/17 Cost $14 (1)(2)(3)	733	13
Total Consumer Staples		**13**
Health Care 0.0%		
Health Care Equipment & Supplies 0.0%		
Becton Dickinson & Company, Class A 6.125%, 5/1/20	1,149	66
Total Health Care		**66**
Information Technology 0.0%		
Internet Software & Services 0.0%		
Roofoods, Series F Acquisition Date: 9/12/17 Cost $19 (1)(2)(3)	53	19
Vroom, Series F Acquisition Date: 6/30/17 Cost $8 (1)(2)(3)	480	8
		27
Software 0.0%		
Plex Systems, Series B Acquisition Date: 6/9/14 Cost $5 (1)(2)(3)	2,270	4
		4
Total Information Technology		**31**
Utilities 0.1%		
Electric Utilities 0.1%		
NextEra Energy 6.123%, 8/2/19	2,208	126
Total Utilities		**126**
Total Convertible Preferred Stocks (Cost $212)		**236**
CORPORATE BONDS 8.6%		
AbbVie 3.20%, 5/14/26	30,000	30
AbbVie 3.60%, 5/14/25	130,000	134
AbbVie 4.45%, 5/14/46	105,000	113
Activision Blizzard 4.50%, 6/15/47	60,000	63
AerCap Ireland Capital 3.65%, 7/21/27	150,000	148
Air Lease 2.75%, 1/15/23	55,000	54
Air Lease 3.625%, 12/1/27	120,000	120
Alexandria Real Estate Equities 3.45%, 4/30/25	40,000	40
Alexandria Real Estate Equities 3.95%, 1/15/27	40,000	41
Alexandria Real Estate Equities 3.95%, 1/15/28	65,000	66
Alibaba Group Holding 3.60%, 11/28/24	200,000	208
Amazon.com 3.875%, 8/22/37 (6)	90,000	95
Amazon.com 4.05%, 8/22/47 (6)	65,000	70
American Airlines PTT Series 2013-1, Class A 4.00%, 1/15/27	20,026	21
American Airlines PTT Series 2014-1, Class B 4.375%, 4/1/24	3,689	4
American Airlines PTT Series 2015-1, Class B 3.70%, 11/1/24	11,457	11
American Airlines PTT Series 2016-1, Class AA 3.575%, 7/15/29	14,274	15

(Cost and value in $000s)	Shares/Par	$ Value
American Airlines PTT Series 2017-1, Class B 4.95%, 8/15/26	70,000	73
American Airlines PTT Series 2017-2, Class AA 3.35%, 4/15/31	20,000	20
American Campus Communities 3.625%, 11/15/27	25,000	25
Anheuser-Busch InBev Finance 4.90%, 2/1/46	210,000	243
Anthem 3.50%, 8/15/24	85,000	86
Anthem 4.65%, 1/15/43	65,000	72
Apple 3.20%, 5/13/25	45,000	46
Apple 3.75%, 11/13/47	195,000	200
Apple 4.25%, 2/9/47	20,000	22
APT Pipelines 3.875%, 10/11/22 (6)	35,000	36
APT Pipelines 4.25%, 7/15/27 (6)	25,000	26
Arconic 6.15%, 8/15/20	80,000	86
Avnet Electronic 4.625%, 4/15/26	40,000	42
Baidu 2.875%, 7/6/22	200,000	198
Banco Santander 3.80%, 2/23/28	200,000	200
Bank of America 3.248%, 10/21/27	230,000	227
Bank of America 3.30%, 1/11/23	240,000	246
Bank of America, VR 3.824%, 1/20/28 (7)	75,000	77
Bank of America, VR 4.244%, 4/24/38 (7)	95,000	103
BBVA Bancomer 4.375%, 4/10/24 (6)	150,000	157
Becton Dickinson & Company 3.70%, 6/6/27	130,000	131
Becton Dickinson & Company 3.734%, 12/15/24	29,000	30
Becton Dickinson & Company 4.669%, 6/6/47	75,000	81
Becton, Dickinson & Company 3.363%, 6/6/24	60,000	60
BNP Paribas 3.80%, 1/10/24 (6)	205,000	212

(Cost and value in $000s)	Shares/Par	$ Value
Boardwalk Pipelines 3.375%, 2/1/23	61,000	60
Boardwalk Pipelines 4.45%, 7/15/27	20,000	20
Boardwalk Pipelines 4.95%, 12/15/24	35,000	37
Boardwalk Pipelines 5.95%, 6/1/26	10,000	11
Boral Finance 3.00%, 11/1/22 (6)	5,000	5
Boral Finance 3.75%, 5/1/28 (6)	80,000	80
Boston Properties 2.75%, 10/1/26	39,000	37
Boston Properties 3.20%, 1/15/25	50,000	50
Boston Properties 3.65%, 2/1/26	30,000	30
Brambles USA 4.125%, 10/23/25 (6)	20,000	21
Brixmor Operating Partnership 3.65%, 6/15/24	31,000	31
Brixmor Operating Partnership 3.85%, 2/1/25	60,000	60
Brixmor Operating Partnership 3.875%, 8/15/22	36,000	37
Brixmor Operating Partnership 3.90%, 3/15/27	70,000	69
Broadcom 3.00%, 1/15/22 (6)	70,000	70
Broadcom 3.625%, 1/15/24 (6)	70,000	70
Broadcom 3.875%, 1/15/27 (6)	30,000	29
Capital One Bank USA 3.375%, 2/15/23	250,000	252
Catholic Health Initiatives 2.95%, 11/1/22	20,000	20
CC Holdings 3.849%, 4/15/23	150,000	155
Celgene 3.875%, 8/15/25	160,000	165
Celgene 4.35%, 11/15/47	50,000	52
Cellulosa Arauco 3.875%, 11/2/27 (6)	200,000	199
Cenovus Energy 4.25%, 4/15/27	15,000	15
Cenovus Energy 5.40%, 6/15/47	85,000	89
Charter Communications Operating 4.908%, 7/23/25	55,000	58

(Cost and value in $000s)	Shares/Par	$ Value
Citigroup, VR 2.876%, 7/24/23 (7)	85,000	85
Citigroup, VR 3.887%, 1/10/28 (7)	140,000	144
CNA Financial 5.875%, 8/15/20	35,000	38
Comcast 3.30%, 2/1/27	60,000	61
Concho Resources 3.75%, 10/1/27	70,000	71
Credit Agricole/London 3.25%, 10/4/24 (6)	250,000	248
Crown Castle International 5.25%, 1/15/23	35,000	38
Crown Castle Towers 3.663%, 5/15/45 (6)	85,000	86
Crown Castle Towers 6.113%, 1/15/40 (6)	64,000	67
Delta Air Lines 3.625%, 3/15/22	50,000	51
Delta Air Lines 7.75%, 6/17/21	4,541	5
Delta Air Lines, ETC 4.95%, 5/23/19	3,686	4
Delta Air Lines, ETC Series 2015-1AA 3.625%, 1/30/29	32,006	33
Delta Air Lines, Series 2011-1 5.30%, 10/15/20	2,225	2
Discover Financial Services 3.75%, 3/4/25	120,000	121
Enbridge 5.50%, 12/1/46	25,000	30
Enbridge, VR 6.00%, 1/15/77 (7)	60,000	62
Enel Finance International 4.75%, 5/25/47 (6)	200,000	217
Enersis Americas 4.00%, 10/25/26	50,000	51
EnLink Midstream Partners 4.85%, 7/15/26	30,000	31
Essex Portfolio 3.375%, 4/15/26	35,000	35
Essex Portfolio 3.625%, 5/1/27	55,000	55
Expedia 3.80%, 2/15/28 (6)	50,000	48
Expedia 5.00%, 2/15/26	100,000	107
Express Scripts Holding 4.80%, 7/15/46	130,000	138
FirstEnergy 3.90%, 7/15/27	105,000	107
FirstEnergy Transmission 4.35%, 1/15/25 (6)	65,000	68
GATX 2.50%, 3/15/19	50,000	50
GATX 2.50%, 7/30/19	35,000	35
GATX 3.25%, 3/30/25	20,000	20
General Motors, VR 3M USD LIBOR + 0.80% 2.192%, 8/7/20	45,000	45
Goldman Sachs Group 3.00%, 4/26/22	95,000	95
Goldman Sachs Group 3.50%, 11/16/26	115,000	115
Goldman Sachs Group 5.75%, 1/24/22	110,000	122
Goldman Sachs Group, VR 2.908%, 6/5/23 (7)	115,000	114
Goldman Sachs Group, VR 3.691%, 6/5/28 (7)	97,000	98
Grupo Televisa 6.625%, 3/18/25	100,000	119
GTP Acquisition Partners 2.50%, 6/15/45 (6)	100,000	99
Harris 4.854%, 4/27/35	75,000	84
Harvard University Presidents & Fellows 3.619%, 10/1/37	20,000	21
Heathrow Funding 4.875%, 7/15/23 (6)	100,000	107
Hess 4.30%, 4/1/27	105,000	105
Hess 5.80%, 4/1/47	65,000	72
Humana 3.85%, 10/1/24	60,000	62
ING Bank, VR 4.125%, 11/21/23 (7)	205,000	207
Interpublic Group of Companies, 3.75%, 2/15/23	25,000	26
Interpublic Group of Companies 4.00%, 3/15/22	50,000	52
Interpublic Group of Companies 4.20%, 4/15/24	15,000	16
Intesa Sanpaolo 3.125%, 7/14/22 (6)	200,000	199
J2 Acquisition Warrants, 10/10/20 (1)	2,406	1

(Cost and value in $000s)	Shares/Par	$ Value
JPMorgan Chase 2.95%, 10/1/26	210,000	206
JPMorgan Chase 3.20%, 6/15/26	25,000	25
JPMorgan Chase 3.30%, 4/1/26	30,000	30
JPMorgan Chase 3.90%, 7/15/25	15,000	16
JPMorgan Chase, VR 3M USD LIBOR + 1.23% 2.595%, 10/24/23	205,000	210
JPMorgan Chase, VR 3.54%, 5/1/28 (7)	25,000	25
JPMorgan Chase, VR 3.782%, 2/1/28 (7)	75,000	78
JPMorgan Chase, VR 3.882%, 7/24/38 (7)	110,000	113
Kaiser Permanente 3.50%, 4/1/22	30,000	31
Keysight Technologies 4.60%, 4/6/27	80,000	84
Kimco Realty 2.80%, 10/1/26	40,000	38
Kimco Realty 3.30%, 2/1/25	25,000	25
Kimco Realty 3.40%, 11/1/22	10,000	10
Liberty Mutual Group 4.85%, 8/1/44 (6)	95,000	105
Life Technologies 6.00%, 3/1/20	115,000	123
Lockheed Martin 3.60%, 3/1/35	20,000	20
Martin Marietta Materials 4.25%, 7/2/24	65,000	69
Martin Marietta Materials 4.25%, 12/15/47	40,000	40
Massachusetts Institute of Technology 3.959%, 7/1/38	30,000	33
Mead Johnson Nutrition 4.125%, 11/15/25	35,000	37
Microsoft 4.10%, 2/6/37	60,000	67
Morgan Stanley 3.125%, 7/27/26	30,000	30
Morgan Stanley 3.625%, 1/20/27	85,000	87
Morgan Stanley 3.70%, 10/23/24	20,000	21
Morgan Stanley 3.75%, 2/25/23	120,000	124

(Cost and value in $000s)	Shares/Par	$ Value
Morgan Stanley 4.875%, 11/1/22	225,000	242
Morgan Stanley, VR 3.971%, 7/22/38 (7)	50,000	51
MPT Operating Partnership 5.00%, 10/15/27	50,000	51
MPT Operating Partnership 5.25%, 8/1/26	25,000	26
NiSource Finance 4.375%, 5/15/47	62,000	68
O'Reilly Automotive 3.80%, 9/1/22	100,000	104
Omnicom Group 3.60%, 4/15/26	100,000	101
Plains All American Pipeline 2.85%, 1/31/23	15,000	14
Plains All American Pipeline 4.50%, 12/15/26	5,000	5
Plains All American Pipeline 4.65%, 10/15/25	65,000	67
Priceline Group 3.55%, 3/15/28	20,000	20
Priceline Group 3.60%, 6/1/26	40,000	40
Priceline Group 3.65%, 3/15/25	60,000	61
Principal Financial Group, VR 4.70%, 5/15/55 (7)	70,000	72
QVC 5.125%, 7/2/22	125,000	132
Regency Centers 3.60%, 2/1/27	25,000	25
Reinsurance Group of America 5.00%, 6/1/21	30,000	32
Reinsurance Group of America 6.45%, 11/15/19	45,000	48
Reynolds American 4.45%, 6/12/25	50,000	53
Reynolds American 5.85%, 8/15/45	30,000	37
Royal Bank of Scotland Group, VR 3.498%, 5/15/23 (7)	215,000	215
Sabine Pass Liquefaction 4.20%, 3/15/28	120,000	122
Sabine Pass Liquefaction 5.00%, 3/15/27	165,000	176
Santander UK 2.875%, 10/16/20	20,000	20
SBA Tower Trust 2.898%, 10/11/44 (6)	45,000	45
SBA Tower Trust 3.156%, 10/10/45 (6)	30,000	30

(Cost and value in $000s)	Shares/Par	$ Value
SBA Tower Trust 3.168%, 4/15/22 (6)	65,000	65
SBA Tower Trust 3.869%, 10/8/49 (6)	80,000	81
Shire Acquisition Investments Ireland 2.875%, 9/23/23	95,000	93
Shire Acquisition Investments Ireland 3.20%, 9/23/26	65,000	63
Sigma Alimentos 4.125%, 5/2/26	200,000	202
Simply Good Foods Warrants, 7/11/22 (1)	412	2
Southern Company 3.25%, 7/1/26	28,000	27
Spectra Energy Capital 3.30%, 3/15/23	50,000	50
Spectra Energy Partners 3.375%, 10/15/26	15,000	15
Tencent Holdings 3.80%, 2/11/25	200,000	208
Teva Pharmaceutical Finance III 2.20%, 7/21/21	60,000	55
Thomson Reuters 3.35%, 5/15/26	55,000	55
Time Warner Cable 6.55%, 5/1/37	38,000	44
Time Warner Cable 6.75%, 6/15/39	65,000	78
Toronto-Dominion Bank, VR 3.625%, 9/15/31 (7)	95,000	95
Transurban Finance 3.375%, 3/22/27 (6)	15,000	15
Transurban Finance 4.125%, 2/2/26 (6)	15,000	15
Trinity Acquisition 3.50%, 9/15/21	15,000	15
U.S. Airways PTT Series 2013-1A 3.95%, 5/15/27	27,044	28
UBS Group Funding 4.125%, 9/24/25 (6)	200,000	209
UniCredit 4.625%, 4/12/27 (6)	200,000	211
Unum Group 3.00%, 5/15/21	20,000	20
Ventas Realty 3.25%, 10/15/26	60,000	58
VEREIT Operating Partnership 3.95%, 8/15/27	45,000	44
VEREIT Operating Partnership 4.60%, 2/6/24	75,000	79
VEREIT Operating Partnership 4.875%, 6/1/26	20,000	21
Verizon Communications 4.272%, 1/15/36	80,000	80
Verizon Communications 4.862%, 8/21/46	140,000	146
Verizon Communications 5.15%, 9/15/23	125,000	139
Visa 4.30%, 12/14/45	115,000	131
Vulcan Materials 4.50%, 6/15/47	63,000	64
Wells Fargo, VR 3.584%, 5/22/28 (7)	85,000	87
Western Gas Partners 4.00%, 7/1/22	70,000	71
Willis North America 3.60%, 5/15/24	80,000	81
Woodside Finance 3.65%, 3/5/25 (6)	45,000	45
Woodside Finance 3.70%, 9/15/26 (6)	40,000	40
Woodside Finance 3.70%, 3/15/28 (6)	41,000	41
WPP Finance 2010 3.625%, 9/7/22	40,000	41
WPP Finance 2010 4.75%, 11/21/21	60,000	64
Total Corporate Bonds (Cost $15,580)		**15,903**
ASSET-BACKED SECURITIES 2.4%		
Ally Auto Receivables Trust Series 2014-1, Class C 2.04%, 12/15/19	15,000	15
Ally Auto Receivables Trust Series 2014-1, Class D 2.48%, 2/15/21	15,000	15
Ally Auto Receivables Trust Series 2014-3, Class A4 1.72%, 3/16/20	85,000	85
Ally Auto Receivables Trust Series 2015-2, Class D 3.01%, 3/15/22 (6)	5,000	5
Ally Auto Receivables Trust Series 2016-1, Class C 2.29%, 6/15/21	15,000	15

(Cost and value in $000s)	Shares/Par	$ Value
Ally Auto Receivables Trust Series 2017-2, Class B 2.33%, 6/15/22	5,000	5
Ally Master Owner Trust Series 2015-3, Class A 1.63%, 5/15/20	100,000	100
Ally Master Owner Trust Series 2017-2, Class A, VR 1M USD LIBOR + 0.34% 1.817%, 6/15/21	20,000	20
Ally Master Owner Trust Series 2017-3, Class A1, VR 1M USD LIBOR + 0.43% 1.907%, 6/15/22	15,000	15
AmeriCredit Automobile Receivables Trust Series 2015-3, Class B 2.08%, 9/8/20	30,000	30
AmeriCredit Automobile Receivables Trust Series 2015-4, Class C 2.88%, 9/8/20	15,000	15
AmeriCredit Automobile Receivables Trust Series 2016-1, Class A3 1.81%, 10/8/20	12,155	12
AmeriCredit Automobile Receivables Trust Series 2016-2, Class C 2.87%, 11/8/21	10,000	10
AmeriCredit Automobile Receivables Trust Series 2016-4, Class D 2.74%, 12/8/22	90,000	89
AmeriCredit Automobile Receivables Trust Series 2017-1, Class C 2.71%, 8/18/22	10,000	10
ARI Fleet Lease Trust Series 2017-A, Class A2 1.91%, 4/15/26 (6)	100,000	100
Ascentium Equipment Receivables Series 2017-1A, Class A2 1.87%, 7/10/19 (6)	5,000	5
Ascentium Equipment Receivables Series 2017-1A, Class A3 2.29%, 6/10/21 (6)	5,000	5

(Cost and value in $000s)	Shares/Par	$ Value
Avis Budget Rental Car Funding, Series 2013-1A Class A 1.92%, 9/20/19 (6)	100,000	100
Avis Budget Rental Car Funding, Series 2013-2A Class A, 2.97%, 2/20/20 (6)	100,000	101
Avis Budget Rental Car Funding, Series 2014-2A Class A, 2.50%, 2/20/21 (6)	100,000	100
Avis Budget Rental Car Funding, Series 2016-1A Class A, 2.99%, 6/20/22 (6)	100,000	101
BMW Vehicle Lease Trust Series 2017-1, Class A3 1.98%, 5/20/20	65,000	65
BMW Vehicle Lease Trust Series 2017-2, Class A3 2.07%, 10/20/20	30,000	30
Capital Auto Receivables Asset Trust, Series 2014-1, Class C 2.84%, 4/22/19	1,485	1
Capital Auto Receivables Asset Trust, Series 2014-1, Class D 3.39%, 7/22/19	40,000	40
Capital Auto Receivables Asset Trust, Series 2015-4 Class A4, 2.01%, 7/20/20	10,000	10
CarMax Auto Owner Trust Series 2014-1, Class B 1.69%, 8/15/19	10,000	10
CarMax Auto Owner Trust Series 2014-1, Class C 1.93%, 11/15/19	15,000	15
CarMax Auto Owner Trust Series 2014-1, Class D 2.43%, 8/17/20	75,000	75
CarMax Auto Owner Trust Series 2016-2, Class B 2.16%, 12/15/21	10,000	10
CarMax Auto Owner Trust Series 2016-4, Class A3 1.40%, 8/15/21	65,000	64
CarMax Auto Owner Trust Series 2017-4, Class A3 2.11%, 10/17/22	20,000	20
CCG Receivables Trust Series 2017-1, Class A2 1.84%, 11/14/23 (6)	100,000	100
Chrysler Capital Auto Receivables Trust Series 2016-BA, Class A2 1.36%, 1/15/20 (6)	7,115	7

(Cost and value in $000s)	Shares/Par	$ Value
Chrysler Capital Auto Receivables Trust Series 2016-BA, Class A3,1.64%, 7/15/21 (6)	20,000	20
Citibank Credit Card Issuance Trust, Series 2017-A7 Class A7, VR, 1M USD LIBOR + 0.37%, 1.777%, 8/8/24	100,000	100
CNH Equipment Trust Series 2016-C, Class A3 1.44%, 12/15/21	15,000	15
CNH Equipment Trust Series 2017-C, Class B 2.54%, 5/15/25	5,000	5
DB Master Finance Series 2017-1A, Class A2I 3.629%, 11/20/47 (6)	50,000	50
Elara HGV Timeshare Issuer Series 2014-A, Class A 2.53%, 2/25/27 (6)	29,164	29
Ford Credit Auto Owner Trust Series 2016-C, Class A4 1.40%, 2/15/22	60,000	59
Ford Credit Floorplan Master Owner Trust, Series 2016-5 Class B, 2.16%, 11/15/21	37,000	37
GE Capital Credit Card Master Note Trust, Series 2012-2 Class A, 2.22%, 1/15/22	100,000	100
GM Financial Auto Lease Series 2015-3, Class A4 1.81%, 11/20/19	110,000	110
GM Financial Auto Lease Series 2017-1, Class A3 2.06%, 5/20/20	50,000	50
GM Financial Auto Lease Series 2017-3, Class A3 2.01%, 11/20/20	25,000	25
GM Financial Auto Lease Series 2017-3A, Class B 2.33%, 3/16/23 (6)	10,000	10
Halcyon Loan Advisors Funding, Series 2014-3A Class AR, CLO, VR, 3M USD LIBOR + 1.10% 2.463%, 10/22/25 (6)	250,000	250
Hilton Grand Vacation Trust Series 2014-AA, Class A 1.77%, 11/25/26 (6)	31,883	31
Huntington Auto Trust Series 2016-1, Class A4 1.93%, 4/15/22	35,000	35

(Cost and value in $000s)	Shares/Par	$ Value
Hyundai Auto Lease Securitization Trust Series 2015-B, Class A4 1.66%, 7/15/19 (6)	100,000	100
Hyundai Auto Lease Securitization Trust Series 2016-C, Class A3 1.49%, 2/18/20 (6)	100,000	100
Jimmy John's Funding Series 2017-1A, Class A21 3.61%, 7/30/47 (6)	24,938	25
Kubota Credit Owner Trust Series 2016-1A, Class A3 1.50%, 7/15/20 (6)	100,000	99
Marriott Vacation Club Owner Trust, Series 2014-1A Class A, 2.25%, 9/22/31 (6)	38,953	38
Mercedes-Benz Auto Lease Trust, Series 2017-A Class A3, 1.79%, 4/15/20	40,000	40
MMAF Equipment Finance Series 2014-AA, Class A4 1.59%, 2/8/22 (6)	100,000	100
MMAF Equipment Finance Series 2015-AA, Class A4 1.93%, 7/16/21 (6)	100,000	100
MMAF Equipment Finance Series 2016-AA, Class A4 1.76%, 1/17/23 (6)	100,000	98
Nissan Auto Lease Trust Series 2017-A, Class A3 1.91%, 4/15/20	65,000	65
Nissan Auto Lease Trust Series 2017-B, Class A3 2.05%, 9/15/20	25,000	25
Nissan Auto Receivables Owner Trust, Series 2015-B Class A4, 1.79%, 1/17/22	40,000	40
Santander Drive Auto Receivables Trust Series 2014-3, Class D 2.65%, 8/17/20	10,000	10
Santander Drive Auto Receivables Trust Series 2015-5, Class D 3.65%, 12/15/21	10,000	10
Santander Drive Auto Receivables Trust Series 2017-1, Class A2 1.49%, 2/18/20	11,015	11

(Cost and value in $000s)	Shares/Par	$ Value
Santander Drive Auto Receivables Trust Series 2017-1, Class B 2.10%, 6/15/21	10,000	10
Santander Drive Auto Receivables Trust Series 2017-1, Class C 2.58%, 5/16/22	10,000	10
Santander Drive Auto Receivables Trust Series 2017-3, Class B 2.19%, 3/15/22	30,000	30
Santander Retail Auto Lease Trust, Series 2017-A, Class A3 2.22%, 1/20/21 (6)	25,000	25
Sierra Receivables Funding Series 2015-1A, Class A 2.40%, 3/22/32 (6)	22,504	22
Sierra Receivables Funding Series 2015-3A, Class A 2.58%, 9/20/32 (6)	30,624	30
Sierra Receivables Funding Series 2016-1A, Class A 3.08%, 3/21/33 (6)	57,871	58
SLM Student Loan Trust Series 2008-9, Class A, VR 3M USD LIBOR + 1.50% 2.867%, 4/25/23	60,651	62
SMART Trust Australia Series 2016-2US, Class A3A 1.71%, 3/15/21	70,000	69
SMB Private Education Loan Trust, Series 2015-B, Class A2A, 2.98%, 7/15/27 (6)	96,062	97
SMB Private Education Loan Trust, Series 2015-C, Class A2A, 2.75%, 7/15/27 (6)	87,022	87
SMB Private Education Loan Trust, Series 2016-B, Class A2A, 2.43%, 2/17/32 (6)	100,000	98
SMB Private Education Loan Trust, Series 2017-B, Class A2A, 2.82%, 10/15/35 (6)	100,000	100
Synchrony Credit Card Master Note Trust, Series 2015-4 Class B, 2.62%, 9/15/23	25,000	25
Verizon Owner Trust Series 2017-3A, Class B 2.38%, 4/20/22 (6)	100,000	100
Volvo Financial Equipment Series 2016-1A, Class A3 1.67%, 2/18/20 (6)	50,000	50
Volvo Financial Equipment Series 2017-A, Class A, VR 1M USD LIBOR + 0.50% 1.977%, 11/15/22 (6)	50,000	50
Wendy's Funding Series 2015-1A, Class A2I 3.371%, 6/15/45 (6)	141,738	142
Wendy's Funding Series 2018-1A, Class A2I 3.573%, 3/15/48 (6)	50,000	50
Wheels Series 2015-1A, Class A2 1.27%, 4/22/24 (6)	20,318	20
World Omni Auto Receivables Trust, Series 2017-A, Class A3 1.93%, 9/15/22	130,000	129
Total Asset-Backed Securities (Cost $4,465)		**4,451**

NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 1.7%

Atrium Hotel Portfolio Trust Series 2017-ATRM, Class A, ARM, 1M USD LIBOR + 0.93% 2.408%, 11/15/19 (6)	100,000	100
Banc of America Mortgage Securities, Series 2004-D Class 2A2, CMO, ARM 3.686%, 5/25/34	2,386	2
Banc of America Mortgage Securities, Series 2004-H Class 2A2, CMO, ARM 3.607%, 9/25/34	2,952	3
Banc of America Mortgage Securities, Series 2004-I Class 3A2, CMO, ARM 3.773%, 10/25/34	1,192	1
Banc of America Mortgage Securities, Series 2005-J Class 2A1, CMO, ARM 3.693%, 11/25/35	13,329	12
Banc of America Mortgage Securities, Series 2005-J Class 3A1, CMO, ARM 4.001%, 11/25/35	4,956	5
Banc of America Mortgage Securities, Series 2004-A Class 2A2, CMO, ARM 3.594%, 2/25/34	2,812	3

(Cost and value in $000s)	Shares/Par	$ Value
Bayview Opportunity Master Fund, Series 2017-RT1 Class A1, CMO, ARM 3.00%, 3/28/57 (6)	84,478	85
Bayview Opportunity Master Fund, Series 2017-RT3 Class A, CMO, ARM 3.50%, 1/28/58 (6)	93,694	96
BX Trust Series 2017-IMC, Class A CMO, ARM, 1M USD LIBOR + 1.05%, 2.527%, 10/15/32 (6)	100,000	100
BXP Trust Series 2017-GM, Class A CMO, 3.379%, 6/13/39 (6)	85,000	87
Chase Funding Mortgage Loan Corp., Series 2002-2 Class 1M1, 5.599%, 9/25/31	110	—
Citigroup Commercial Mortgage Trust Series 2014-GC21, Class AS 4.026%, 5/10/47	35,000	36
Citigroup Commercial Mortgage Trust Series 2015-GC27, Class AS 3.571%, 2/10/48	15,000	15
Commercial Mortgage PTC Series 2014-CR21, Class A3 3.528%, 12/10/47	75,000	77
Commercial Mortgage PTC Series 2014-UBS6, Class AM 4.048%, 12/10/47	110,000	115
Commercial Mortgage PTC Series 2015-CR24, Class A5 3.696%, 8/10/48	50,000	52
Commercial Mortgage PTC Series 2015-CR25, Class C ARM, 4.546%, 8/10/48	20,000	21
Commercial Mortgage PTC Series 2015-LC21, Class B ARM, 4.311%, 7/10/48	45,000	46
Commercial Mortgage PTC Series 2015-PC1, Class B ARM 4.441%, 7/10/50	20,000	20
Commercial Mortgage PTC Series 2016-CR28, Class AHR 3.651%, 2/10/49	29,498	31
Connecticut Avenue Securities Series 2017-C01, Class 1M1 CMO, ARM, 1M USD LIBOR + 1.30%, 2.852%, 7/25/29	35,146	36
Connecticut Avenue Securities Series 2017-C03, Class 1M1 CMO, ARM, 1M USD LIBOR + 0.95%, 2.502%, 10/25/29	16,588	17
Connecticut Avenue Securities Series 2017-C07, Class 2M1 CMO, ARM, 1M USD LIBOR + 0.65%, 2.202%, 5/25/30	20,855	21
Countrywide Home Equity Loan Trust, Series 2004-BC1 Class M2 ARM, 1M USD LIBOR + 1.605% 3.157%, 1/25/34	1,699	2
Credit Suisse Mortgage Trust Series 2015-GLPB, Class A 3.639%, 11/15/34 (6)	100,000	104
CSAIL Commercial Mortgage Trust, Series 2015-C3 Class A4, 3.718%, 8/15/48	25,000	26
CSAIL Commercial Mortgage Trust, Series 2016-C6 Class A5, 3.09%, 1/15/49	50,000	50
Great Wolf Trust Series 2017-WOLF, Class A ARM, 1M USD LIBOR + 0.85% 2.477%, 9/15/34 (6)	100,000	100
GS Mortgage Securities Trust Series 2015-GC34, Class A4 3.506%, 10/10/48	60,000	62
GS Mortgage Securities Trust Series 2015-GC34, Class AS 3.911%, 10/10/48	55,000	57
GSAA Home Equity Trust Series 2005-8, Class A3, ARM 1M USD LIBOR + 0.43% 1.982%, 6/25/35	24,068	24
JPMorgan Chase Barclays Bank Commercial Mortgage Securities, Series 2014-C19 Class AS, ARM 4.243%, 4/15/47	35,000	37
JPMorgan Chase Barclays Bank Commercial Mortgage Securities, Series 2014-C22 Class A4, 3.801%, 9/15/47	35,000	37
JPMorgan Chase Commercial Mortgage Securities Series 2013-LC11, Class A5 2.96%, 4/15/46	30,000	30
JPMorgan Chase Commercial Mortgage Securities Series 2016-JP3, Class B, ARM 3.397%, 8/15/49	20,000	19

(Cost and value in $000s)	Shares/Par	$ Value
JPMorgan Chase Deutsche Bank Commercial Mortgage Securities, Series 2016-C2 Class A4 3.144%, 6/15/49	25,000	25
Liberty Street Trust Series 2016-225L, Class A 3.597%, 2/10/36 (6)	100,000	103
Mill City Mortgage Trust Series 2016-1, Class A1, CMO ARM, 2.50%, 4/25/57 (6)	70,982	71
Morgan Stanley Bank of America Merrill Lynch Trust Series 2014-C18, Class 300A 3.749%, 8/15/31	25,000	25
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class AS ARM, 4.036%, 5/15/48	10,000	10
Morgan Stanley Bank of America Merrill Lynch Trust Series 2015-C24, Class B 4.351%, 5/15/48	15,000	15
Morgan Stanley Bank of America Merrill Lynch Trust Series 2016-C29, Class A4 3.325%, 5/15/49	25,000	25
Morgan Stanley Capital I Series 2015-MS1, Class AS ARM, 4.03%, 5/15/48	10,000	10
Morgan Stanley Capital I Series 2017-ASHF, Class B ARM, 1M USD LIBOR + 1.25% 2.50%, 11/15/34 (6)	90,000	90
Morgan Stanley Capital I Series 2017-JWDR, Class A ARM, 1M USD LIBOR + 0.85% 2.10%, 11/15/34 (6)	70,000	70
Morgan Stanley Capital I Series 2017-JWDR, Class B ARM, 1M USD LIBOR + 1.20% 2.45%, 11/15/34 (6)	45,000	45
Seasoned Credit Risk Transfer Series 2016-1, Class M1, CMO ARM, 3.00%, 9/25/55 (6)	25,000	24
Structured Agency Credit Risk Debt Notes Series 2014-HQ3, Series M2 CMO, ARM, 1M USD LIBOR + 2.65%, 4.202%, 10/25/24	9,968	10
Structured Agency Credit Risk Debt Notes Series 2016-DNA1, Class M2, CMO, ARM, 1M USD LIBOR + 2.90%, 4.452%, 7/25/28	250,000	258

(Cost and value in $000s)	Shares/Par	$ Value
Terwin Mortgage Trust Series 2005-14HE, Class AF2 ARM, 4.849%, 8/25/36	1,006	1
Towd Point Mortgage Trust Series 2015-3, Class A1B CMO, ARM 3.00%, 3/25/54 (6)	46,379	47
Towd Point Mortgage Trust Series 2015-5, Class A1B CMO, ARM 2.75%, 5/25/55 (6)	58,846	59
Towd Point Mortgage Trust Series 2015-5, Class M1 CMO ARM, 3.50%, 5/25/55 (6)	100,000	102
Towd Point Mortgage Trust Series 2016-1, Class A1B CMO, ARM 2.75%, 2/25/55 (6)	55,062	55
Towd Point Mortgage Trust Series 2017- 1, Class M1 CMO, ARM 3.75%, 10/25/56 (6)	100,000	102
Towd Point Mortgage Trust Series 2017-1, Class A1, CMO ARM, 2.75%, 10/25/56 (6)	82,249	82
Towd Point Mortgage Trust Series 2017-3, Class A1, CMO ARM, 2.75%, 7/25/57 (6)	92,608	92
WAMU Mortgage PTC Series 2005-AR12 Class 2A1, CMO, ARM 3.361%, 9/25/35	1,364	1
Wells Fargo Commercial Mortgage Trust Series 2016-C34, Class A4 3.096%, 6/15/49	70,000	70
Wells Fargo Commercial Mortgage Trust Series 2015-LC20, Class C ARM, 4.056%, 4/15/50	35,000	34
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class B ARM, 4.249%, 7/15/58	15,000	15
Wells Fargo Commercial Mortgage Trust Series 2015-NXS2, Class C ARM, 4.249%, 7/15/58	10,000	10
Wells Fargo Commercial Mortgage Trust Series 2017-C38, Class B, ARM 3.917%, 7/15/50	100,000	101

(Cost and value in $000s)	Shares/Par	$ Value
Wells Fargo Mortgage Backed Security Trust Series 2003-O, Class 5A1 CMO, ARM, 3.595%, 1/25/34	3,978	4
Wells Fargo Mortgage Backed Security Trust, Series 2004-G Class A3 CMO, ARM 3.349%, 6/25/34	2,674	3
WF-RBS Commercial Mortgage Trust, Series 2013-C13 Class A4, 3.001%, 5/15/45	60,000	61
WF-RBS Commercial Mortgage Trust, Series 2013-C18 Class A3, 3.651%, 12/15/46	25,000	26
WF-RBS Commercial Mortgage Trust, Series 2014-C20 Class AS, 4.176%, 5/15/47	60,000	62
Total Non-U.S. Government Mortgage-Backed Securities (Cost $3,234)		**3,237**

U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 7.0%

U.S. Government Agency Obligations 5.1% (8)

(Cost and value in $000s)	Shares/Par	$ Value
Federal Home Loan Mortgage		
1.875%, 4/25/22	23,405	23
2.50%, 4/1/30	48,610	49
3.00%, 12/1/42 - 7/1/43	292,959	295
3.50%, 8/1/42 - 5/1/46	455,801	471
4.00%, 8/1/40 - 8/1/45	176,437	185
4.50%, 11/1/18 - 5/1/42	166,127	177
5.00%, 10/1/18 - 8/1/40	58,837	64
5.50%, 11/1/18	361	—
6.00%, 8/1/21 - 8/1/38	23,053	25
6.50%, 3/1/32 - 4/1/32	3,357	4
7.00%, 6/1/32	1,276	1
Federal Home Loan Mortgage, ARM		
12M USD LIBOR + 1.766% 3.393%, 2/1/37	12,490	13
12M USD LIBOR + 1.808% 3.483%, 1/1/37	3,405	4
12M USD LIBOR + 1.785% 3.535%, 9/1/32	203	—
Federal Home Loan Mortgage, CMO, ARM		
1M USD LIBOR + 0.45% 1.927%, 10/15/46 - 1/15/47	54,018	54
1M USD LIBOR + 0.50% 1.977%, 4/15/46 - 2/15/47	183,724	185
Federal National Mortgage Assn.		
2.50%, 10/1/31 - 6/1/45	216,671	213
3.00%, 6/1/27 - 8/1/47	2,000,172	2,013
3.50%, 12/1/41 - 8/1/56	1,876,857	1,932
4.00%, 1/1/26 - 8/1/47	1,014,462	1,065
4.50%, 12/1/20 - 4/1/47	393,060	419
5.00%, 11/1/18 - 11/1/44	283,846	308
5.50%, 2/1/18 - 9/1/41	197,823	219
6.00%, 8/1/21 - 5/1/42	148,777	169
6.50%, 7/1/32 - 5/1/40	65,771	74
7.00%, 4/1/32	610	1
Federal National Mortgage Assn., ARM		
12M USD LIBOR + 1.786% 3.501%, 8/1/36	7,330	8
Federal National Mortgage Assn., CMO, IO		
6.50%, 2/25/32	1,143	—
Federal National Mortgage Assn., CMO, VR		
1M USD LIBOR + 0.45% 2.002%, 10/25/46 - 3/25/47	69,798	70
1M USD LIBOR + 0.50% 2.052%, 9/25/46 - 11/25/46	112,443	113
Federal National Mortgage Assn., TBA		
3.00%, 1/1/26	230,000	234
3.50%, 1/1/25 - 1/1/41	775,000	799
4.00%, 1/1/40	210,000	220
		9,407

U.S. Government Obligations 1.9%

(Cost and value in $000s)	Shares/Par	$ Value
Government National Mortgage Assn.		
2.50%, 1/20/43	100,028	99
3.00%, 7/15/43 - 11/20/46	179,246	181
3.50%, 6/20/32 - 8/20/47	673,978	699
4.00%, 7/20/42 - 8/20/47	1,264,560	1,322
4.50%, 10/20/39 - 10/20/47	591,029	624
5.00%, 3/20/34 - 10/20/47	327,866	354
5.50%, 10/20/32 - 6/20/44	38,178	42
6.00%, 4/15/36 - 12/20/38	22,846	26
6.50%, 3/15/26 - 12/20/33	5,678	6
7.00%, 9/20/27	4,713	5
8.00%, 10/15/25 - 4/15/26	972	1
Government National Mortgage Assn., CMO, IO, 4.50%, 11/20/37-12/20/39	24,729	1

(Cost and value in $000s)	Shares/Par	$ Value
Government National Mortgage Assn., TBA 3.00%, 1/1/42	70,000	71
		3,431
Total U.S. Government & Agency Mortgage-Backed Securities (Cost $12,900)		**12,838**
U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 4.7%		
U.S. Treasury Obligations 4.7%		
U.S. Treasury Bonds 2.75%, 8/15/47	415,000	415
U.S. Treasury Bonds 2.875%, 11/15/46	300,000	308
U.S. Treasury Bonds 3.00%, 11/15/44	200,000	210
U.S. Treasury Bonds 3.00%, 5/15/45	290,000	305
U.S. Treasury Bonds 3.00%, 5/15/47	25,000	26
U.S. Treasury Bonds 3.125%, 2/15/43	485,000	521
U.S. Treasury Bonds 3.375%, 5/15/44	280,000	314
U.S. Treasury Bonds 4.625%, 2/15/40	305,000	405
U.S. Treasury Bonds 8.00%, 11/15/21	60,000	73
U.S. Treasury Inflation-Indexed Notes 0.125%, 4/15/22	471,843	468
U.S. Treasury Inflation-Indexed Notes 0.375%, 7/15/27	236,969	236
U.S. Treasury Inflation-Indexed Notes 0.625%, 1/15/26	428,640	435
U.S. Treasury Notes 0.875%, 6/15/19	190,000	187
U.S. Treasury Notes 1.375%, 5/31/21	290,000	283
U.S. Treasury Notes 1.50%, 5/31/19	930,000	925
U.S. Treasury Notes 1.50%, 11/30/19	1,280,000	1,271
U.S. Treasury Notes 1.50%, 8/15/20	285,000	282
U.S. Treasury Notes 1.625%, 5/15/26	40,000	38
U.S. Treasury Notes 1.75%, 11/15/20	25,000	25
U.S. Treasury Notes 1.75%, 6/30/22	460,000	452
U.S. Treasury Notes 1.875%, 6/30/20	150,000	150
U.S. Treasury Notes 2.00%, 8/31/21 (9)	85,000	85
U.S. Treasury Notes 2.25%, 11/15/27	415,000	409
U.S. Treasury Notes 2.75%, 2/15/19	835,000	843
		8,666
Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost $8,460)		**8,666**
FOREIGN GOVERNMENT OBLIGATIONS & MUNICIPALITIES 0.6%		
Coldelco 3.625%, 8/1/27 (6)	200,000	201
Perusahaan Gas Negara 5.125%, 5/16/24 (6)	200,000	215
Petroleos Mexicanos 3.50%, 7/23/20	25,000	26
Petroleos Mexicanos 4.875%, 1/24/22	75,000	78
Petroleos Mexicanos 5.375%, 3/13/22 (6)	10,000	11
Petroleos Mexicanos 5.50%, 1/21/21	30,000	32
Petroleos Mexicanos 6.375%, 2/4/21	15,000	16
Province of Manitoba 3.05%, 5/14/24	15,000	15
Province of Ontario 2.50%, 9/10/21	120,000	120
State Grid Overseas 2.75%, 5/4/22 (6)	200,000	198

(Cost and value in $000s)	Shares/Par	$ Value
United Mexican States 4.00%, 10/2/23	114,000	120
Total Foreign Government Obligations & Municipalities (Cost $1,026))		**1,032**
MUNICIPAL SECURITIES 0.6%		
California 0.1%		
Bay Area Toll Auth. Build America 6.263%, 4/1/49	40,000	59
East Bay Municipal Utility Dist., Build America 5.874%, 6/1/40	60,000	81
Los Angeles Airport Build America, Series C 7.053%, 5/15/40	35,000	50
San Diego County Water Auth., Build America Series B, 6.138%, 5/1/49	25,000	35
		225
Colorado 0.0%		
Denver School Dist. No. 1 COP, Series B 4.242%, 12/15/37	20,000	21
		21
District of Columbia 0.0%		
District of Columbia, Income Tax, Build America, Series E 5.591%, 12/1/34	10,000	12
		12
Florida 0.0%		
Florida Board of Admin. Fin. Corp., Hurricane Catastrophe Fund, Series A 2.995%, 7/1/20	45,000	46
		46
Illinois 0.1%		
Metropolitan Water Reclamation Dist. of Greater Chicago, Build America 5.72%, 12/1/38	60,000	78
		78

(Cost and value in $000s)	Shares/Par	$ Value
Maryland 0.1%		
Maryland Transportation Auth., Build America 5.888%, 7/1/43	35,000	47
Maryland Transportation Auth., Build America Series B, 5.754%, 7/1/41	70,000	92
		139
New York 0.1%		
Metropolitan Transportation Auth., Dedicated Tax Fund Build America 7.336%, 11/15/39	10,000	16
New York City, Build America Series F1, 6.271%, 12/1/37	50,000	68
New York City, Build America Series H-1, 5.846%, 6/1/40	55,000	72
Port Auth. of New York & New Jersey, Consolidated Bonds, 174th Series 4.458%, 10/1/62	85,000	98
		254
North Carolina 0.0%		
North Carolina Eastern Municipal Power Agency 2.003%, 7/1/18	5,000	5
Univ. of North Carolina Board of Governors, UNC Chapel Hill, 3.847%, 12/1/34	45,000	49
		54
Ohio 0.0%		
JobsOhio Beverage System Liquor Profits, Series B 4.532%, 1/1/35	25,000	28
		28
Oregon 0.0%		
Oregon, Taxable Pension 5.892%, 6/1/27	15,000	18
		18

(Cost and value in $000s)	Shares/Par	$ Value
South Carolina 0.0%		
South Carolina Public Service Auth., Series E 4.322%, 12/1/27	35,000	36
		36
Texas 0.0%		
Texas Transportation Commission, Build America First Tier, Series B 5.178%, 4/1/30	10,000	12
		12
Utah 0.1%		
Utah Transit Auth. Build America, Series B 5.937%, 6/15/39	60,000	79
		79
Virginia 0.1%		
Univ. of Virginia Build America 5.00%, 9/1/40	35,000	44
Virginia Public Building Auth. Build America 5.90%, 8/1/30	50,000	61
Virginia Transportation Board Build America 5.35%, 5/15/35	10,000	12
		117
Total Municipal Securities (Cost $941)		**1,119**
BOND MUTUAL FUNDS 12.0%		
T. Rowe Price Inflation Protected Bond Fund - I Class 0.43% (10)(11)	51,404	610
T. Rowe Price Institutional Emerging Markets Bond Fund, 5.48% (10)(11)	836,961	7,566
T. Rowe Price Institutional High Yield Fund 5.16% (10)(11)	768,257	6,915
T. Rowe Price Institutional International Bond Fund 1.61% (10)(11)	732,370	6,540
T. Rowe Price Limited Duration Inflation Focused Bond Fund - I Class, 0.48% (10)(11)	91,143	453
Total Bond Mutual Funds (Cost $20,995)		**22,084**
EQUITY MUTUAL FUNDS 5.1%		
T. Rowe Price Institutional Emerging Markets Equity Fund (1)(10)	167,465	6,879
T. Rowe Price Real Assets Fund - I Class (1)(10)	215,229	2,514
Total Equity Mutual Funds (Cost $6,169)		**9,393**
SHORT-TERM INVESTMENTS 4.7%		
Money Market Funds 4.7%		
T. Rowe Price Treasury Reserve Fund, 1.25% (10)(12)	8,753,509	8,754
Total Short-Term Investments (Cost $8,754)		**8,754**
SECURITIES LENDING COLLATERAL 0.1%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.1%		
Short-Term Funds 0.1%		
T. Rowe Price Short-Term Fund, 1.49% (10)(12)	19,727	197
Total Investments through Securities Lending Program with JPMorgan Chase Bank		**197**
Total Securities Lending Collateral (Cost $197)		**197**

(Amounts in 000s, except for contracts)

OPTIONS PURCHASED 0.0%

OTC Options Purchased 0.0%

Counterparty	Description	Contracts	Notional Amount	Value
JP Morgan	Credit Default Swap, Protection Bought, (Relevant Credit: Markit CDX.IG-S29, 5 Year Index 12/20/22) Pay 1.00% Quarterly Receive upon credit default 2/21/18 @ 0.575%* (1)	1	1,000	$ 1
Total Options Purchased (Cost $2)				**1**

Total Investments in Securities

100.5% of Net Assets (Cost $139,822) **$ 185,408**

‡ Shares/Par and Notional Amount are denominated in U.S. dollars unless otherwise noted.
* Exercise spread
(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 $106 and represents 0.1% of net assets.
(3) Level 3 in fair value hierarchy. See Note 2.
(4) All or a portion of this security is on loan at December 31, 2017 -- total value of such securities at period-end amounts to $186. See Note 4.
(5) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.
(6) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to $7,953 and represents 4.3% of net assets.
(7) 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.
(8) The issuer currently operates under a federal conservatorship; however, its securities are neither issued nor guaranteed by the U.S. government.
(9) At December 31, 2017, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.
(10) Affiliated Company
(11) SEC 30-day yield
(12) Seven-day yield
1M USD LIBOR One month USD LIBOR (London Interbank Offered Rate)
3M USD LIBOR Three month USD LIBOR (London Interbank Offered Rate)
12M USD LIBOR Twelve month USD LIBOR (London Interbank Offered Rate)
ADR American Depositary Receipts
ARM Adjustable Rate Mortgage; rate shown is effective rate at period-end. The rates for certain ARMs are not based on a published reference rate and spread but may be determined using a formula based on the rates of the underlying loans.
AUD Australian Dollar
BRL Brazilian Real
CAD Canadian Dollar
CHF Swiss Franc
CLO Collateralized Loan Obligation
CMO Collateralized Mortgage Obligation
COP Certificate of Participation
DKK Danish Krone
ETC Equipment Trust Certificate
EUR Euro

GBP	British Pound
GDR	Global Depositary Receipts
HKD	Hong Kong Dollar
IO	Interest Only security for which the fund receives interest on notional principal
JPY	Japanese Yen
KRW	South Korean Won
NOK	Norwegian Krone
OTC	Over the counter
PTC	Pass-Through Certificate
PTT	Pass-Through Trust
REIT	A domestic Real Estate Investment Trust whose distributions pass-through with original tax character to the shareholder
SEK	Swedish Krona
SGD	Singapore Dollar
TBA	To Be Announced purchase commitment; TBAs totaled $1,324 (0.7% of net assets) at period-end - see Note 4.
TWD	Taiwan 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 for contracts)

OPTIONS WRITTEN (0.0)%

OTC Options Written 0.0%

Counterparty	Description	Contracts	Notional Amount		Value
Goldman Sachs	Credit Default Swap, Protection Bought, (Relevant Credit: Markit CDX.IG-S29, 5 Year Index, 12/20/22) Pay 1.00% Quarterly, Receive upon credit default 1/17/18 @ 1.05%*	1	2,200	$	—
JP Morgan	Credit Default Swap, Protection Bought, (Relevant Credit: Markit CDX.IG-S29, 5 Year Index, 12/20/22) Pay 1.00% Quarterly, Receive upon credit default 2/21/18 @ 0 .65%*	1	1,000		(1)
JP Morgan	Credit Default Swap, Protection Bought, (Relevant Credit: Markit CDX.IG-S29, 5 Year Index, 12/20/22) Pay 1.00% Quarterly, Receive upon credit default, 2/21/18 @ 0.80%*	1	1,000		—
Total Options Written (Premiums $(3))					(1)

Futures Contracts

($000s)

	Expiration Date	Notional Amount	Value and Unrealized Gain/ (Loss)
Short, 11 U.S. Treasury Notes five year contracts	3/18	(1,278)	$ 4
Short, 2 U.S. Treasury Notes ten year contracts	3/18	(248)	1
Long, 24 U.S. Treasury Notes two year contracts	3/18	5,139	(9)
Long, 2 Ultra U.S. Treasury Bonds contracts	3/18	335	1
Short, 15 Ultra U.S. Treasury Notes ten year contracts	3/18	(2,003)	6
Net payments (receipts) of variation margin to date			(7)
Variation margin receivable (payable) on open futures contracts			$ (4)

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the year ended December 31, 2017. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Inflation Protected Bond Fund - I Class	$ —	$ 6	$ —
T. Rowe Price Institutional Emerging Markets Bond Fund	5	200	467
T. Rowe Price Institutional Emerging Markets Equity Fund	86	1,928	37
T. Rowe Price Institutional High Yield Fund	(81)	210	411
T. Rowe Price Institutional International Bond Fund	—	641	96
T. Rowe Price Limited Duration Inflation Focused Bond Fund - I Class	1	(5)	—
T. Rowe Price Real Assets Fund - I Class	4	206	40
T. Rowe Price Treasury Reserve Fund	—	—	65
T. Rowe Price Short-Term Fund	—	—	—++
Totals	$ 15 #	$ 3,186	$ 1,116+

Supplementary Investment Schedule

Affiliate	Value 12/31/16	Purchase Cost	Sales Cost	Value 12/31/17
T. Rowe Price Inflation Protected Bond Fund - I Class	$ 593	$ 11	$ —	$ 610
T. Rowe Price Institutional Emerging Markets Bond Fund	7,107	1,000	741	7,566
T. Rowe Price Institutional Emerging Markets Equity Fund	5,478	412	939	6,879
T. Rowe Price Institutional High Yield Fund	7,576	510	1,381	6,915
T. Rowe Price Institutional International Bond Fund	5,412	597	—	6,540
T. Rowe Price Limited Duration Inflation Focused Bond Fund - I Class	—	657	199	453
T. Rowe Price Real Assets Fund - I Class	2,509	40	241	2,514
T. Rowe Price Treasury Reserve Fund	6,360	¤	¤	8,754
T. Rowe Price Short-Term Fund	156	¤	¤	197
				$ 40,428^

Capital gain/loss distributions from mutual funds represented $73 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 $1,116 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 $36,115.

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

T. Rowe Price Personal Strategy Balanced Portfolio
December 31, 2017
($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $139,822)	$	185,408
Interest and dividends receivable		384
Receivable for investment securities sold		276
Receivable for shares sold		246
Foreign currency (cost $24)		24
Cash		10
Other assets		62
Total assets		186,410
Liabilities		
Payable for investment securities purchased		1,604
Payable for shares redeemed		42
Obligation to return securities lending collateral		197
Investment management and administrative fees payable		90
Written options (premiums $3)		1
Variation margin payable on futures contracts		4
Other liabilities		71
Total liabilities		2,009
NET ASSETS	**$**	**184,401**
Net Assets Consist of:		
Accumulated undistributed net realized gain	$	48
Net unrealized gain		45,594
Paid-in capital applicable to 8,743,088 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		138,759
NET ASSETS	**$**	**184,401**
NET ASSET VALUE PER SHARE	**$**	**21.09**

The accompanying notes are an integral part of these financial statements.

Statement of Operations

T. Rowe Price Personal Strategy Balanced Portfolio
($000s)

	Year Ended 12/31/17
Investment Income (Loss)	
Income	
Dividend	$ 2,542
Interest	1,222
Securities lending	7
Total income	3,771
Expense	
Investment management and administrative expense	1,536
Investment management fees waived	(201)
Total expenses	1,335
Net investment income	2,436
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	10,192
Capital gain distributions from mutual funds	73
Futures	(38)
Swaps	(1)
Foreign currency transactions	8
Net realized gain	10,234
Change in net unrealized gain / loss	
Securities	14,400
Futures	(5)
Written options	2
Other assets and liabilities denominated in foreign currencies	5
Change in net unrealized gain / loss	14,402
Net realized and unrealized gain / loss	24,636
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 27,072**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

T. Rowe Price Personal Strategy Balanced Portfolio
($000s)

	Year Ended 12/31/17	12/31/16
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 2,436	$ 2,616
Net realized gain	10,234	3,491
Change in net unrealized gain / loss	14,402	3,887
Increase in net assets from operations	27,072	9,994
Distributions to shareholders		
Net investment income	(2,600)	(2,668)
Net realized gain	(8,940)	(3,588)
Decrease in net assets from distributions	(11,540)	(6,256)
Capital share transactions*		
Shares sold	21,718	20,616
Distributions reinvested	11,540	6,257
Shares redeemed	(24,000)	(34,344)
Increase (decrease) in net assets from capital share transactions	9,258	(7,471)
Net Assets		
Increase (decrease) during period	24,790	(3,733)
Beginning of period	159,611	163,344
End of period	**$ 184,401**	**$ 159,611**
Undistributed net investment income	–	82
*Share information		
Shares sold	1,035	1,081
Distributions reinvested	549	327
Shares redeemed	(1,168)	(1,800)
Increase (decrease) in shares outstanding	416	(392)

The accompanying notes are an integral part of these financial statements.

T. Rowe Price Equity Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Personal Strategy Balanced Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. The fund seeks the highest total return over time consistent with an emphasis on both capital appreciation and income. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Earnings on investments recognized as partnerships for federal income tax purposes reflect the tax character of such earnings. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Distributions from REITs are initially recorded as dividend income and, to the extent such represent a return of capital or capital gain for tax purposes, are reclassified when such information becomes available. Income distributions are declared and paid quarterly. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Rebates Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled $1,000 for the year ended December 31, 2017.

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.

On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had 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. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Debt securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service. Generally, debt securities are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Investments in private investment companies are valued at the investee's NAV per share as of the valuation date, if available. If the investee's NAV is not available as of the valuation date or is not calculated in accordance with GAAP, the Valuation Committee may adjust the investee's NAV to reflect fair value at the valuation date. Investments in private investment companies generally are categorized either in Level 2 or 3, depending on the significance of unobservable inputs. 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. 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 December 31, 2017:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	$ 40,428	$ –	$ –	$ 40,428
Common Stocks	70,425	27,042	30	97,497
Convertible Preferred Stocks	–	192	44	236
Corporate Bonds	–	15,903	–	15,903
Asset-Backed Securities	–	4,451	–	4,451
Non-U.S. Government Mortgage-Backed Securities	–	3,237	–	3,237
U.S. Government & Agency Mortgage-Backed Securities	–	12,838	–	12,838
U.S. Government Agency Obligations (Excluding Mortgage-Backed)	–	8,666	–	8,666
Foreign Government Obligations & Municipalities	–	1,032	–	1,032
Municipal Securities	–	1,119	–	1,119
Purchased Options	–	1	–	1
Total Securities	$ 110,853	$ 74,481	$ 74	$ 185,408
Liabilities				
Futures Contracts	$ 4	$ –	$ –	$ 4
Written Options	–	1	–	1
Total	$ 4	$ 1	$ –	$ 5

There were no material transfers between Levels 1 and 2 during the year ended December 31, 2017.

Following is a reconciliation of the fund's Level 3 holdings for the year ended December 31, 2017. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at December 31, 2017, totaled $2,000 for the year ended December 31, 2017. Transfers into and out of Level 3 are reflected at the value of the financial instrument at the beginning of the period. During the year, transfers out of Level 3 were because observable market data became available for the security.

($000s)	Beginning Balance 1/1/17	Gain (Loss) During Period	Total Purchases	Transfers Out of Level 3	Ending Balance 12/31/17
Investments in Securities					
Common Stocks	$ 2	$ 2	$ 26	$ –	$ 30
Convertible Preferred Stocks	20	–	40	(16)	44
Total Level 3	$ 22	$ 2	$ 66	$ (16)	$ 74

NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended December 31, 2017, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral.

The following table summarizes the fair value of the fund's derivative instruments held as of December 31, 2017, and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

($000s)	Location on Statement of Assets and Liabilities	Fair Value
Assets		
Interest rate derivatives	Futures*	$ 12
Credit derivatives	Securities^	1
Total		$ 13
Liabilities		
Interest rate derivatives	Futures*	$ 9
Credit derivatives	Written options	1
Total		$ 10

*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.

^Purchased swaptions are reported as securities and are reflected in the accompanying Portfolio of investments.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the year ended December 31, 2017, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations				
	Securities^	Written Options	Futures	Swaps	Total
Realized Gain (Loss)					
Interest rate derivatives	$ (3)	$ –	$ (38)	$ –	$ (41)
Credit derivatives	(6)	–	–	(1)	(7)
Total	$ (9)	$ –	$ (38)	$ (1)	$ (48)
Change in Unrealized Gain / Loss					
Interest rate derivatives	$ (1)	$ –	$ (5)	$ –	$ (6)
Credit derivatives	(1)	2	–	–	1
Total	$ (2)	$ 2	$ (5)	$ –	$ (5)

^Purchased swaptions are reported as securities.

Counterparty Risk and Collateral The fund invests in derivatives in various markets, which expose it to differing levels of counterparty risk. Counterparty risk on exchange-traded and centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps, is minimal because the clearinghouse provides protection against counterparty defaults. For futures and centrally cleared swaps, the fund is required to deposit collateral in an amount specified by the clearinghouse and the clearing firm (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearinghouse and clearing firm, in its sole discretion, may adjust the margin requirements applicable to the fund.

Derivatives, such as bilateral swaps, forward currency exchange contracts, and OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives) expose the fund to greater counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also require the exchange of collateral to cover mark-to-market exposure. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs provide the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow termination of transactions and net settlement upon the occurrence of contractually specified events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate, while a decline in the fund's net assets of more than a specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount settled. ISDAs include collateral agreements whereas FX letters do not. Collateral requirements are determined daily based on the net aggregate unrealized gain or loss on all bilateral derivatives with a counterparty, subject to minimum transfer amounts that typically range from $100,000 to $250,000. Any additional collateral required due to changes in security values is typically transferred the same business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated

account at the fund's custodian. While typically not sold in the same manner as equity or fixed income securities, exchange-traded or centrally cleared derivatives may be closed out only on the exchange or clearinghouse where the contracts were traded, and OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of December 31, 2017, no collateral was pledged by either the fund or counterparties for bilateral derivatives. As of December 31, 2017, securities valued at $27,000 had been posted by the fund for exchange-traded and/or centrally cleared derivatives.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rates, security prices, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a specific underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the year ended December 31, 2017, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 2% and 5% of net assets.

Options The fund is subject to interest rate risk and credit risk in the normal course of pursuing its investment objectives and uses options to help manage such risks. The fund may use options to manage exposure to security prices, interest rates, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or a part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. Options are included in net assets at fair value, purchased options are included in Investments in Securities, and written options are separately reflected as a liability on the accompanying Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as realized gain or loss. In return for a premium paid, options on swaps give the holder the right, but not the obligation, to enter a specified swap contract on predefined terms. The exercise price of an option on a credit default swap is stated in terms of a specified spread that represents the cost of credit protection on the reference asset, including both the upfront premium to open the position and future periodic payments. The exercise price of an interest rate swap is stated in terms of a fixed interest rate; generally, there is no upfront payment to open the position. Risks related to the use of options include possible illiquidity of the options markets; trading restrictions imposed by an exchange or counterparty; movements in the underlying asset values and interest rates; and, for written options, potential losses in excess of the fund's initial investment. During the year ended December 31, 2017, the volume of the fund's activity in options, based on underlying notional amounts, was generally between 0% and 6% of net assets.

Swaps The fund is subject to credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risk. The fund may use swaps in an effort to manage exposure to changes in interest rates, inflation rates, and credit quality; to adjust overall exposure to certain markets; to enhance total return or protect the value of portfolio securities; to serve as a cash management tool; or to adjust credit exposure. Swap agreements can be settled either directly with the counterparty (bilateral swap) or through a central clearinghouse (centrally cleared swap). Fluctuations in the fair value of a contract are reflected in unrealized gain or loss and are reclassified to realized gain or loss upon contract termination or cash settlement. Net periodic receipts or payments required by a contract increase or decrease, respectively, the value of the contract until the contractual payment date, at which time such amounts are reclassified from unrealized to realized gain or loss. For bilateral swaps, cash payments are made or received by the fund on a periodic basis in accordance with contract terms; unrealized gain on contracts and premiums paid are reflected as

assets and unrealized loss on contracts and premiums received are reflected as liabilities on the accompanying Statement of Assets and Liabilities. For bilateral swaps, premiums paid or received are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. For centrally cleared swaps, payments are made or received by the fund each day to settle the daily fluctuation in the value of the contract (variation margin). Accordingly, the value of a centrally cleared swap included in net assets is the unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, or issuer or index of such instruments. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. For credit default swaps where the underlying credit is an index, a specified credit event may affect all or individual underlying securities included in the index and will be settled based upon the relative weighting of the affected underlying security(ies) within the index. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future creditworthiness of underlying issuers, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

During the year ended December 31, 2017, the volume of the fund's activity in swaps, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging and Frontier Markets The fund may invest, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in, issued by governments of, or denominated in or linked to the currencies of emerging and frontier market countries; at period-end, approximately 10% of the fund's net assets were invested in emerging markets and 2% in frontier markets. Emerging markets, and to a greater extent frontier markets, generally have economic structures that are less diverse and mature, and political systems that are less stable, than developed countries. These markets may be subject to greater political, economic, and social uncertainty and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars. Such securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities. Investing in frontier markets is significantly riskier than investing in other countries, including emerging markets.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Collateralized Loan Obligations The fund may invest in collateralized loan obligations (CLOs) which are entities backed by a diversified pool of syndicated bank loans. The cash flows of the CLO can be split into multiple segments, called "tranches" or "classes", which will vary in risk profile and yield. The riskiest segments, which are the subordinate or "equity" tranches, bear the greatest risk of loss from defaults in the underlying assets of the CLO and serve to protect the other, more senior, tranches. Senior tranches will typically have higher credit ratings and lower yields than the securities underlying the CLO. Despite the protection from the more junior tranches, senior tranches can experience substantial losses.

TBA Purchase and Sale Commitments The fund may enter into to-be-announced (TBA) purchase or sale commitments (collectively, TBA transactions), pursuant to which it agrees to purchase or sell, respectively, mortgage-backed securities for a fixed unit price, with payment and delivery at a scheduled future date beyond the customary settlement period for such securities. With TBA transactions, the particular securities to be received or delivered by the fund are not identified at the trade date; however, the securities must meet specified terms, including issuer, rate, and mortgage term, and be within industry-accepted "good delivery" standards. The fund may enter into TBA transactions with the intention of taking possession of or relinquishing the underlying securities, may elect to extend the settlement by "rolling" the transaction, and/or may use TBA transactions to gain or reduce interim exposure to underlying securities. Until settlement, the fund maintains liquid assets sufficient to settle its commitment to purchase a TBA or, in the case of a sale commitment, the fund maintains an entitlement to the security to be sold.

To mitigate counterparty risk, the fund has entered into agreements with TBA counterparties that provide for collateral and the right to offset amounts due to or from those counterparties under specified conditions. Subject to minimum transfer amounts, collateral requirements are determined and transfers made based on the net aggregate unrealized gain or loss on all TBA commitments with a particular counterparty. At any time, the fund's risk of loss from a particular counterparty related to its TBA commitments is the aggregate unrealized gain on appreciated TBAs in excess of unrealized loss on depreciated TBAs and collateral received, if any, from such counterparty. As of December 31, 2017, no collateral had been posted by the fund to counterparties for TBAs.

Securities Lending The fund may lend its securities to approved borrowers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At December 31, 2017, the value of loaned securities was $186,000; the value of cash collateral and related investments was $197,000.

Mortgage-Backed Securities The fund may invest in mortgage-backed securities (MBS or pass-through certificates) that represent an interest in a pool of specific underlying mortgage loans and entitle the fund to the periodic payments of principal and interest from those mortgages. MBS may be issued by government agencies or corporations, or private issuers. Most MBS issued by government agencies are guaranteed; however, the degree of protection differs based on the issuer. The fund also may invest in stripped MBS, created when a traditional MBS is split into an interest-only (IO) and a principal-only (PO) strip. MBS, including IOs and POs, are sensitive to changes in economic conditions that affect the rate of prepayments and defaults on the underlying mortgages; accordingly, the value, income, and related cash flows from MBS may be more volatile than other debt instruments. IOs also risk loss of invested principal from faster-than-anticipated prepayments.

Other Purchases and sales of portfolio securities other than short-term and U.S. government securities aggregated $61,050,000 and $66,466,000, respectively, for the year ended December 31, 2017. Purchases and sales of U.S. government securities aggregated $40,036,000 and $37,170,000, respectively, for the year ended December 31, 2017.

NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications between income and gain relate primarily to the character of paydown gains and losses on asset-backed securities. For the year ended December 31, 2017, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

($000s)		
Undistributed net investment income	$	82
Undistributed net realized gain		(82)

Distributions during the ended December 31, 2017 and December 31, 2016, were characterized for tax purposes as follows:

($000s)	December 31	
	2017	2016
Ordinary income	$ 3,510	$ 2,668
Long-term capital gain	8,030	3,588
Total distributions	$ 11,540	$ 6,256

At December 31, 2017, the tax-basis cost of investments, including derivatives, and components of net assets were as follows:

($000s)		
Cost of investments	$	141,468
Unrealized appreciation	$	46,415
Unrealized depreciation		(2,470)
Net unrealized appreciation (depreciation)		43,945
Undistributed ordinary income		240
Undistributed long-term capital gain		1,457
Paid-in capital		138,759
Net assets	$	184,401

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales and certain derivative contracts for tax purposes.

NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.90% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve Funds pay no investment management fees.

The fund may also invest in certain other T. Rowe Price funds (Price Funds) as a means of gaining efficient and cost-effective exposure to certain markets. The fund does not invest for the purpose of exercising management or control; however, investments by the fund may represent a significant portion of an underlying Price Fund's net assets. Each underlying Price Fund is an open-end management investment company managed by Price Associates and is considered an affiliate of the fund. To ensure that the fund does not incur duplicate management fees (paid by the underlying Price Fund(s) and the fund), Price Associates has agreed to permanently waive a portion of its management fee charged to the fund in an amount sufficient to fully offset that portion of management fees paid by each underlying Price Fund related to the fund's investment therein. Annual management fee rates and amounts waived related to investments in the underlying Price Fund(s) for the year ended December 31, 2017, are as follows:

($000s)	Effective Management Fee Rate	Management Fee Waived
T. Rowe Price Inflation Protected Bond Fund – I Class	0.34%	$ 2
T. Rowe Price Institutional Emerging Markets Bond Fund	0.70%	49
T. Rowe Price Institutional Emerging Markets Equity Fund	1.10%	64
T. Rowe Price Institutional High Yield Fund	0.50%	36
T. Rowe Price Institutional International Bond Fund	0.55%	33
T. Rowe Price Limited Duration Focused Bond Fund – I Class	0.34%	1
T. Rowe Price Real Assets Fund	0.64%	16
Total		$ 201

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 year ended December 31, 2017, the aggregate value of purchases and sales cross trades with other funds or accounts advised by Price Associates was less than 1% of the fund's net assets as of December 31, 2017.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price Equity Series, Inc. and Shareholders of T. Rowe Price Personal Strategy Balanced Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price Personal Strategy Balanced Portfolio (one of the portfolios constituting T. Rowe Price Equity Series, Inc., hereafter referred to as the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodians, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 7, 2018

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

Tax Information (Unaudited) for the Tax Year Ended 12/31/17

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included:

- $911,000 from short-term capital gains,
- $8,030,000 from long-term capital gains, subject to a long-term capital gains tax rate of not greater than 20%

For taxable non-corporate shareholders, $1,566,000 of the fund's income represents qualified dividend income subject to a long-term capital gains tax rate of not greater than 20%.

For corporate shareholders, $787,000 of the fund's income qualifies for the dividends-received deduction.

Information on Proxy Voting Policies, Procedures, and Records

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

About the Portfolio's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Bruce W. Duncan (1951) 2013 [191]	Chief Executive Officer and Director (2009 to December 2016), Chairman of the Board (January 2016 to present), and President (2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2012 [191]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present)
Paul F. McBride (1956) 2013 [191]	Advisory Board Member, Vizzia Technologies (2015 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [191]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program (2011 to 2015) and Board Member (2015 to present), National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession (2012 to present); Vice President (2015 to present), American Economic Association
John G. Schreiber (1946) 2001 [191]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder, Partner, and Cochairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016)
Mark R. Tercek (1957) 2009 [191]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [191]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds
Robert W. Sharps, CFA, CPA** (1971) 2017 [135]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; President, Equity Series

*Each inside director serves until retirement, resignation, or election of a successor.
**Effective April 1, 2017, Brian C. Rogers was replaced by Robert W. Sharps as an inside director of certain Price Funds.

Officers

Name (Year of Birth) Position Held With Equity Series	Principal Occupation(s)
Ziad Bakri, M.D., CFA (1980) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Brian W.H. Berghuis, CFA (1958) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John D. Linehan, CFA (1965) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Vice President and Secretary, T. Rowe Price and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore
Larry J. Puglia, CFA, CPA (1960) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price
Charles M. Shriver, CFA (1967) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Ken D. Uematsu, CFA (1969) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John F. Wakeman (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
Justin P. White (1981) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

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Baltimore, MD 21202

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Vanguard®

Annual Report | December 31, 2017

Vanguard Variable Insurance Fund

Balanced Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

A Message from Vanguard's Chairman

Dear Planholder,

Lately I've been asked a lot about my legacy. And candidly, that phrase bugs me—it isn't my legacy. Vanguard's success is a result of thousands of my colleagues committing to a clear mission: helping investors achieve their financial goals.

The reason the topic has come up is that on December 31, 2017, I officially stepped down as Vanguard's CEO after almost a decade in that role. I'll remain chairman for a period to be determined by the board of directors. Tim Buckley, who was previously Vanguard's president and chief investment officer, was elected CEO. I can't think of a better successor.

I've spent 32 years at Vanguard—almost my entire professional life—and during that time I've had the good fortune of working with smart, principled colleagues from across the world. I've learned from each of them.

In particular, I would like to thank Jack Bogle, our founder, who took a chance on me when I was a young business school graduate, and Jack Brennan, my predecessor as CEO, who constantly challenged me with new roles and responsibilities.

When you're just starting out, there is nothing quite like getting votes of confidence from people you respect.

The short list

A milestone like this naturally brings about some reflection. With that in mind, here's a tally—by no means exhaustive—of the accomplishments that *we* at Vanguard are proud of:

Low costs. Over the last decade, we cut our average asset-weighted expense ratio by about 50%.[1] This isn't a result of some contrived price war. Since its founding, Vanguard has emphasized the benefits of low-cost investing. As Jack Bogle once said: "The honest steward who charges least, wins most. But not for himself; for those investors who entrust their assets to his care. It is not all that complicated."

Global diversification. Through our thought leadership and investment options, such as our target-date funds, Vanguard has encouraged clients to obtain exposure to international markets.

Global diversification isn't just about helping to control risk—it can also be a way of expanding your set of opportunities and harnessing the potential of all markets.

I've been glad to see more and more clients embracing global diversification. I believe this trend will continue as Vanguard's way of investing takes hold in international markets.

Affordable advice. In the wake of the 2008–2009 Global Financial Crisis, we began working on a new advice model. In 2015, we launched Vanguard Personal Advisor Services®, a hybrid advice offering that delivers value through a combination of a professional advisor and powerful digital technology at a competitive price.

Across the industry, we've seen the cost of providing advice coming down. Traditional advisors are embracing low-cost investments, and that, in turn, helps them reduce costs for their own clients. This is a trend that all of us at Vanguard would like to see continue.

Great people. I've interacted with hundreds of companies of all sizes and in all industries, and the one quality that sets Vanguard apart from most of them is our emphasis on people. It's a testament to our culture that colleagues spend 15, 20, or, as in my case, more than 30 years of their professional lives here. Investors benefit because we have consistent, experienced fund management teams and a deep bench of talent that ensures that things go smoothly when it's time for a transition.

We've done a great job attracting new talent, too. We made some notable additions to senior management in the last two years, and we're continuously grooming our next generation of leaders.

Ready for what comes next

When I was contemplating coming to work at Vanguard, I sat down with my rowing coach at his home in Philadelphia. Over cheesesteaks, he told me that the most important thing was to work for a company that had the same values I held deeply. He was like a second father to me, so I trusted his judgment at a time when I wasn't so sure about my own. Back then, I never could have anticipated the success Vanguard would have in the coming decades.

I'm no better at predicting the future now. Vanguard has enjoyed significant growth in the last few years, and that presents its own unique set of challenges and opportunities, such as the role we're

1 Source: Vanguard calculation, based on data from Morningstar, Inc., as of December 31, 2016.

playing in advocating for better corporate governance among companies our funds invest in. And the asset management industry is confronting significant changes brought on by technology, shifting demographics, and new regulations.

Although the future is uncertain, I'm confident that Vanguard is well-prepared to tackle whatever comes its way. And one thing I'm sure of: There are big parts of the world that would be well-served by our way of investing.

It's humbling to think about the impact the work we do at Vanguard has on clients who are trying to raise a family, buy a first home, save for college, or prepare for retirement. I've always tried to make decisions with investors' best interests in mind. It has been a privilege working with people who hold to that same ideal.

Thank you for entrusting us with your assets.

Sincerely,

F. William McNabb III
Chairman
January 1, 2018

Market Perspective

U.S. stocks posted record highs as earnings and economy clicked

U.S. stocks generated robust results for the 12 months ended December 31, 2017, powered by rising corporate earnings, investors' willingness to pay more for those earnings, and broad-based global economic expansion. For the ninth straight calendar year, U.S. stocks recorded gains when dividends are factored into returns. The Federal Reserve acknowledged the health of the economy, raising interest rates in December for the third time in 2017.

The broad U.S. stock market reached numerous record highs and finished the year up 21.13%. Stocks also benefited from the passage of tax-reform legislation and the possibility of less government regulation and more fiscal stimulus in the form of infrastructure spending.

Growth stocks widely exceeded their value counterparts, while large-capitalization stocks surpassed small-caps. Nine of the 11 industry sectors advanced. Information technology climbed about 37%, while materials, health care, industrials, and financials also rose more than 20%. Telecommunication services and energy were the only sectors to decline.

International stocks fared even better than their U.S. brethren, returning 27.11%—a result that was enhanced for U.S. investors by the dollar's weakness against a number of foreign currencies. Investors were also attracted to international stocks' relatively inexpensive valuations. Emerging-market stocks led those from the developed markets of Europe and the Pacific region, but gains were notable across the board.

Demand from investors helped boost bond prices

The Fed's three interest rate increases in 2017 didn't dissuade investors, who requested bonds even as stocks continued to surge. Inflation expectations were generally muted, which contributed to lower yields for longer-dated U.S. Treasuries and thus to higher bond prices. (Bond prices and yields move in opposite directions.) Bonds also drew support from various central banks' accommodative monetary policies.

The broad U.S. bond market returned 3.54% for the period. Investment-grade corporate bonds outperformed Treasuries and mortgage-backed securities. The yield of the benchmark 10-year Treasury note dipped slightly, closing December at 2.41%, from 2.45% a year earlier.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 10.51%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds. The Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged) returned 2.57%.

Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2017		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	21.69%	11.23%	15.71%
Russell 2000 Index (Small-caps)	14.65	9.96	14.12
Russell 3000 Index (Broad U.S. market)	21.13	11.12	15.58
FTSE All-World ex US Index (International)	27.11	8.27	7.19
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	3.54%	2.24%	2.10%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	5.45	2.98	3.02
Citigroup Three-Month U.S. Treasury Bill Index	0.84	0.37	0.23
CPI			
Consumer Price Index	2.11%	1.64%	1.43%

Vanguard® Balanced Portfolio

Advisor's Report

Vanguard Balanced Portfolio returned 14.72% for the 12 months ended December 31, 2017. The portfolio trailed the 15.76% return of its blended benchmark (a mix of 65% large-capitalization stocks and 35% high-quality corporate bonds) and the 15.70% average return of peer funds. The stock portfolio underperformed its respective benchmark, the Standard & Poor's 500 Index, while the bond portfolio outperformed its respective benchmark, the Bloomberg Barclays U.S. Credit A or Better Bond Index.

Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The investment environment

Stock markets in the United States and abroad posted strong double-digit returns for the year. The S&P 500 Index returned 21.83%, the MSCI World Index returned 23.07%, and the MSCI EAFE Index returned 25.03%.

The news continued to be positive for the U.S. economy, including multiyear lows in unemployment and healthy housing market trends. Stock prices rose on the market's anticipation that regulatory pressure would ease and that adoption of a new tax bill that lowers corporate taxes could boost earnings.

Large-capitalization growth stocks significantly outperformed large-cap value stocks, as measured by the Russell 1000 Growth Index (30.21%) and the Russell 1000 Value Index (13.66%); this served as a slight headwind to the portfolio, which historically has had a value tilt.

The broad fixed income markets rose over the 12 months, with the Bloomberg Barclays U.S. Aggregate Bond Index returning 3.54%. The higher-quality credit market performed even better: The Bloomberg Barclays U.S. Credit A or Better Bond Index returned 5.18%. Over the course of 2017, the yield on the 10-year U.S. Treasury note was relatively unchanged, beginning at 2.45% and ending at 2.41%.

Our successes

In the stock portfolio, security selection aided overall relative performance. Selection was strongest in industrials (an underweight to General Electric and our positions in CSX and Caterpillar), energy (not owning Schlumberger and our underweight to Exxon Mobil), and utilities (a position in Next Era Energy and not owning PG&E).

In the fixed income portfolio, security selection within investment grade corporates, particularly among industrial and financial issuers, helped relative results. Our underweight allocation to, and selection within, noncorporate credit—particularly our underweight to supranational issuers—aided results. An out-of-benchmark allocation to asset-backed securities also helped, as did our yield-curve positioning.

Our shortfalls

In the stock portfolio, sector allocation detracted from relative results. Our underweight to information technology and an overweight to energy detracted most. We did not own many of the strongest-performing technology stocks in the benchmark, as they do not align with our investment philosophy and approach because of high valuations, lack of sufficient yield, or business models that are overly tied to product cycles and are sensitive to disruption. Not holding Facebook and NVIDIA, along with our underweight to Apple, detracted most from relative performance in information technology.

Although security selection had a positive impact overall, selection was weakest in health care (Merck and Cardinal Health) and financials (Synchrony Financial and Wells Fargo). Holdings in information technology and consumer discretionary (not owning Amazon) also detracted but had a lesser impact.

Total Returns

	Year Ended December 31, 2017	Ten Years Ended December 31, 2017 Average Annual Return
Vanguard Balanced Portfolio	14.72%	7.55%
Composite Stock/Bond Index[1]	15.76	7.46
Variable Insurance Mixed-Asset Target Growth Funds Average[2]	15.70	5.44

The figures shown represent past performance, which is not a guarantee of future results. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

Expense Ratios[3]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Mixed-Asset Target Growth Funds Average
Balanced Portfolio	0.23%	0.60%

1 Weighted 65% S&P 500 Index and 35% Bloomberg Barclays U.S. Credit A or Better Bond Index.

2 Derived from data provided by Lipper, a Thomson Reuters Company.

3 The portfolio expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the Balanced Portfolio's expense ratio was 0.23%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

Our avoidance of benchmark constituent Amazon was the largest relative detractor. Amazon's shares surged on strong performance and rising expectations for both the company's international expansion and its cloud business. We are concerned that Amazon is leveraging its business to increasingly complex end markets. In addition, the stock garners a high valuation and does not pay a dividend.

Positions in Anadarko Petroleum and Merck were among some of the other largest detractors from the equity portfolio's relative performance.

On the fixed income side, the portfolio's credit spread duration detracted. We are underweighted in corporates compared with our all-credit benchmark, as spreads tightened over the fiscal year. Our out-of-benchmark position in mortgage-backed securities, particularly agency mortgage pass-throughs, also detracted modestly from relative performance.

Portfolio positioning

We continue to rely on our process and philosophy as we construct the portfolio and adjust our positioning. We remain focused on the significance of dividends, positive capital stewardship, and franchise value. We believe we have a solid portfolio of undervalued market leaders, companies in industries with improving supply and demand trends, and strong companies that are temporarily out of favor. We see our process as critical to providing downside protection and believe the current portfolio reflects an appropriate balance.

In the equity portfolio, our largest overweights at the end of the 12 months were in the financial, energy, utilities, and telecommunication services sectors. Our largest underweights were in consumer discretionary, information technology, real estate, and consumer staples—areas of the market in which we are challenged to find ideas that fit our investment style and valuation discipline. Where possible, we are investing in companies that are capitalizing on disruptive technologies and those that have declined because of the perception of competitive challenges where we think the companies can overcome the disruptive forces. As always, sector allocations are determined by our bottom-up analysis and are largely attributable to our view on companies' valuations.

We added new positions in IBM, QUALCOMM, ConocoPhillips, and Kinder Morgan and eliminated positions in CSX, Royal Dutch Shell, Mondelez International, FedEx, and Canadian National Railway.

By raising short-term rates and by allowing its balance sheet to shrink, the Federal Reserve continues to lead the way in reversing nearly a decade of easy money. However, the combined balance sheet of all major central banks is still expanding, though at a gradual pace. Uncertainty remains as to how these policy measures will impact financial markets, and we could expect to see a rise in volatility.

In the United States, economic expansion has been fairly moderate for a while, both in terms of growth and inflation. Consumer spending has been robust, while investment spending should surprise on the upside, particularly now that tax cuts are coming in the next fiscal year. Manufacturers have cut inventories to sufficient levels which, combined with recent weakness in the U.S. dollar, should lead to a positive production story in the coming months.

Going into 2018, we maintained our slightly short duration posture in the bond portfolio. We anticipate a flatter yield curve as inflation expectations remain muted. Our overall positioning remains fairly unchanged from this time a year ago, though we have added more to corporate credit, reallocating from U.S. governments, agency mortgage-backed securities, and securitized names.

We continue to be disciplined in our application of our investment process, which allows us to create a balanced portfolio that we believe should perform well in a variety of environments. We remain focused on companies with growth potential trading at value prices, above-average yield, and favorable supply and demand dynamics. We believe these qualities, as well as our focus on long-term investing, will serve the portfolio's shareholders well over time.

Edward P. Bousa, CFA,
Senior Managing Director and
Equity Portfolio Manager

John C. Keogh,
Senior Managing Director and
Fixed Income Portfolio Manager

Loren L. Moran, CFA,
Managing Director and
Fixed Income Portfolio Manager

Michael E. Stack, CFA,
Senior Managing Director and
Fixed Income Portfolio Manager

Wellington Management Company LLP

January 24, 2018

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*
The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	1,944,141,093	99,613,853	95.1%
Emerson U. Fullwood	1,941,634,789	102,120,157	95.0%
Amy Gutmann	1,936,277,120	107,477,826	94.7%
JoAnn Heffernan Heisen	1,932,975,342	110,779,604	94.6%
F. Joseph Loughrey	1,942,078,522	101,676,424	95.0%
Mark Loughridge	1,945,099,950	98,654,996	95.2%
Scott C. Malpass	1,936,871,738	106,883,208	94.8%
F. William McNabb III	1,943,389,639	100,365,307	95.1%
Deanna Mulligan	1,935,898,722	107,856,224	94.7%
André F. Perold	1,929,764,167	113,990,779	94.4%
Sarah Bloom Raskin	1,932,581,664	111,173,282	94.6%
Peter F. Volanakis	1,939,733,490	104,021,455	94.9%

* Results are for all funds within the same trust.

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.
This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
Balanced Portfolio	94,589,027	5,877,614	5,226,728	0	89.5%

Shareholders of the Balanced Portfolio did not approve the following proposal:

Proposal 7—Institute transparent procedures to avoid holding investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights. Such procedures may include time-limited engagement with problem companies if management believes that their behavior can be changed.

The trustees recommended a vote against the proposal for the following reasons: (1) Vanguard is fully compliant with all applicable U.S. laws and regulations that prohibit the investment in any company owned or controlled by the government of Sudan; (2) the addition of further investment constraints is not in fund shareholders' best interests if those constraints are unrelated to a fund's stated investment objective, policies, and strategies; and (3) divestment is an ineffective means to implement social change as it often puts the shares into the hands of another owner with no direct impact to the company's capitalization.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
Balanced Portfolio	27,148,814	8,452,116	70,092,440	0	25.7%

Portfolio Profile

As of December 31, 2017

Total Portfolio Characteristics

Yield[1]	2.32%
Turnover Rate	28%
Expense Ratio[2]	0.23%
Short-Term Reserves	4.4%

Total Portfolio Volatility Measures[3]

	Portfolio Versus Composite Index[4]	Portfolio Versus Broad Index[5]
R-Squared	0.96	0.94
Beta	1.01	0.64

Equity Characteristics

	Portfolio	Comparative Index[6]	Broad Index[5]
Number of Stocks	102	505	3,775
Median Market Cap	$100.3B	$94.4B	$66.9B
Price/Earnings Ratio	20.0x	23.2x	22.8x
Price/Book Ratio	2.4x	3.2x	3.0x
Dividend Yield	2.4%	1.8%	1.7%
Return on Equity	14.9%	16.0%	15.1%
Earnings Growth Rate	4.6%	9.6%	9.9%
Foreign Holdings	10.8%	0.0%	0.0%

Fixed Income Characteristics

	Portfolio	Comparative Index[7]	Broad Index[8]
Number of Bonds	854	3,240	9,706
Yield to Maturity	2.8%[9]	2.9%	2.7%
Average Coupon	3.4%	3.4%	3.1%
Average Effective Maturity	9.5 years	6.9 years	8.2 years
Average Duration	6.6 years	9.8 years	6.0 years

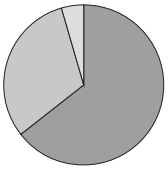
Ten Largest Stocks[10] (% of equity portfolio)

Microsoft Corp.	Systems Software	3.7%
JPMorgan Chase & Co.	Diversified Banks	3.2
Bank of America Corp.	Diversified Banks	3.1
Verizon Communications Inc.	Integrated Telecommunication Services	2.9
Intel Corp.	Semiconductors	2.9
Alphabet Inc. Class A	Internet Software & Services	2.8
Chevron Corp.	Integrated Oil & Gas	2.7
Comcast Corp. Class A	Cable & Satellite	2.2
Apple Inc.	Technology	2.1
Prudential Financial Inc.	Life & Health Insurance	2.1
Top Ten		27.7%
Top Ten as % of Total Net Assets		17.7%

Sector Diversification (% of equity portfolio)

	Portfolio	Comparative Index[6]	Broad Index[5]
Consumer Discretionary	6.1%	12.5%	12.2%
Consumer Staples	7.2	7.3	8.2
Energy	8.3	5.8	6.1
Financials	24.4	15.2	14.8
Health Care	14.4	13.3	13.8
Industrials	10.9	10.9	10.2
Information Technology	17.8	22.8	23.8
Materials	2.5	3.4	3.0
Real Estate	1.3	3.9	2.9
Telecommunication Services	2.9	1.9	2.1
Utilities	4.2	3.0	2.9

Portfolio Asset Allocation



64.4%	Stocks
31.1%	Bonds
4.5%	Short-Term Reserves

1 30-day SEC yield for the portfolio. See definition on the next page.

2 The expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the Balanced Portfolio's expense ratio was 0.23%.

3 For an explanation of R-squared, beta, and other terms used here, see definitions on the next page.

4 Composite Stock/Bond Index, weighted 65% S&P 500 Index and 35% Bloomberg Barclays U.S. Credit A or Better Bond Index.

5 Dow Jones U.S. Total Stock Market Float Adjusted Index.

6 S&P 500 Index.

7 Bloomberg Barclays U.S. Credit A or Better Bond Index.

8 Bloomberg Barclays U.S. Aggregate Bond Index.

9 Before expenses.

10 The holdings listed exclude any temporary cash investments and equity index products.

Distribution by Credit Quality[1]
(% of fixed income portfolio)

U.S. Government	16.9%
Aaa	5.9
Aa	13.5
A	47.2
Baa	16.0
Cash	0.5

Sector Diversification[2]
(% of fixed income portfolio)

Asset-Backed/Commercial Mortgage-Backed	3.4%
Finance	26.7
Foreign	7.0
Industrial	32.1
Treasury	16.6
Utilities	8.2
Other	6.0

Equity Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

Fixed Income Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/ Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

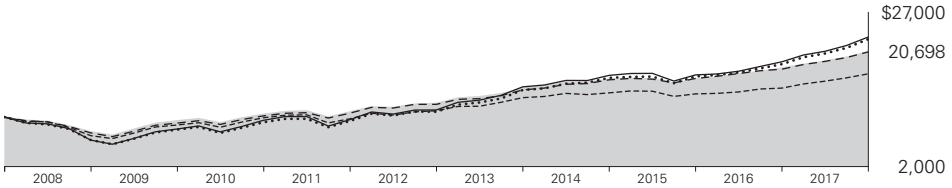
1 Source: Moody's Investors Service.

2 The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

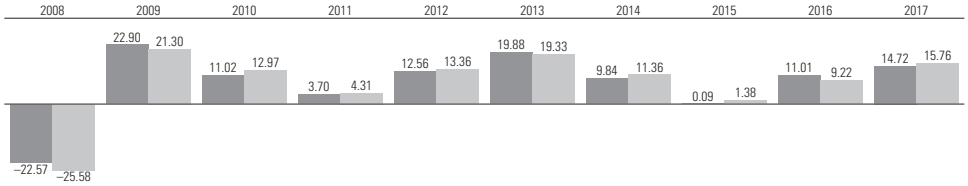
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Cumulative Performance: December 31, 2007–December 31, 2017
Initial Investment of $10,000



	Average Annual Total Returns Periods Ended December 31, 2017			Final Value of a $10,000 Investment
	One Year	Five Years	Ten Years	
Balanced Portfolio	14.72%	10.91%	7.55%	$20,698
S&P 500 Index	21.83	15.79	8.50	22,603
Composite Stock/Bond Index[1]	15.76	11.24	7.46	20,537
Variable Insurance Mixed-Asset Target Growth Funds Average[2]	15.70	9.04	5.44	16,991
Dow Jones U.S. Total Stock Market Float Adjusted Index	21.16	15.52	8.66	22,948

Fiscal-Year Total Returns (%): December 31, 2007–December 31, 2017



Balanced Portfolio
Composite Stock/Bond Index

1 Weighted 65% S&P 500 Index and 35% Bloomberg Barclays U.S. Credit A or Better Bond Index.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
See Financial Highlights for dividend and capital gains information.

Financial Statements

Statement of Net Assets

As of December 31, 2017

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (64.3%)		
Consumer Discretionary (3.9%)		
Comcast Corp. Class A	1,034,478	41,431
Ford Motor Co.	1,370,875	17,122
Twenty-First Century Fox Inc. Class A	438,467	15,140
Lowe's Cos. Inc.	124,710	11,591
CBS Corp. Class B	178,514	10,532
Hilton Worldwide Holdings Inc.	125,721	10,040
Volkswagen AG Preference Shares	26,712	5,306
L Brands Inc.	83,277	5,015
		116,177
Consumer Staples (4.6%)		
PepsiCo Inc.	220,575	26,451
CVS Health Corp.	273,403	19,822
Unilever NV	352,050	19,821
Diageo plc	508,442	18,637
Philip Morris International Inc.	160,395	16,946
Costco Wholesale Corp.	81,565	15,181
Walgreens Boots Alliance Inc.	166,954	12,124
British American Tobacco plc	101,215	6,842
		135,824
Energy (5.4%)		
Chevron Corp.	405,718	50,792
TOTAL SA	479,164	26,450
Exxon Mobil Corp.	242,307	20,267
ConocoPhillips	311,820	17,116
Suncor Energy Inc.	465,345	17,085
Kinder Morgan Inc.	670,083	12,108
Hess Corp.	169,160	8,030
BP plc	880,656	6,178
		158,026
Financials (15.7%)		
JPMorgan Chase & Co.	559,373	59,819
Bank of America Corp.	1,963,087	57,950
Prudential Financial Inc.	344,705	39,634
Chubb Ltd.	267,815	39,136
PNC Financial Services Group Inc.	247,300	35,683
Citigroup Inc.	274,615	20,434
American International Group Inc.	331,972	19,779
BlackRock Inc.	35,233	18,100
Mitsubishi UFJ Financial Group Inc.	2,446,730	17,807
Northern Trust Corp.	177,040	17,685
Intercontinental Exchange Inc.	242,805	17,132
MetLife Inc.	300,503	15,193
Marsh & McLennan Cos. Inc.	177,612	14,456
Wells Fargo & Co.	234,800	14,245
Goldman Sachs Group Inc.	51,551	13,133
Bank of Nova Scotia	197,035	12,715
BNP Paribas SA	144,051	10,716
Hartford Financial Services Group Inc.	182,045	10,246
UBS Group AG	441,300	8,116
ING Groep NV	436,579	8,014
Tokio Marine Holdings Inc.	136,670	6,216
Zurich Insurance Group AG	15,677	4,766
* Brighthouse Financial Inc.	22,715	1,332
		462,307
Health Care (9.2%)		
Bristol-Myers Squibb Co.	625,180	38,311
AstraZeneca plc ADR	862,418	29,926
Merck & Co. Inc.	508,053	28,588
Johnson & Johnson	172,680	24,127
Medtronic plc	286,820	23,161
Pfizer Inc.	627,883	22,742
UnitedHealth Group Inc.	100,520	22,161
Eli Lilly & Co.	225,904	19,080
Novartis AG	212,928	17,918
Cardinal Health Inc.	228,295	13,988
Abbott Laboratories	222,940	12,723
McKesson Corp.	41,770	6,514
Roche Holding AG	21,718	5,491
* HCA Healthcare Inc.	39,623	3,480
* Regeneron Pharmaceuticals Inc.	8,870	3,335
		271,545
Industrials (7.0%)		
United Parcel Service Inc. Class B	308,879	36,803
Caterpillar Inc.	138,416	21,812
Schneider Electric SE	186,840	15,840
^ ABB Ltd. ADR	579,612	15,545
Honeywell International Inc.	96,294	14,768
Eaton Corp. plc	159,000	12,563
Lockheed Martin Corp.	38,550	12,376
Canadian Pacific Railway Ltd.	67,371	12,313
Union Pacific Corp.	90,822	12,179
United Technologies Corp.	86,901	11,086
Johnson Controls International plc	289,441	11,031
Airbus SE	88,895	8,835
BAE Systems plc	1,136,038	8,777
Siemens AG	58,321	8,075
General Electric Co.	269,970	4,711
		206,714
Information Technology (11.4%)		
Microsoft Corp.	817,693	69,946
Intel Corp.	1,176,315	54,299
* Alphabet Inc. Class A	50,700	53,407
Apple Inc.	240,477	40,696
Cisco Systems Inc.	611,024	23,402
Accenture plc Class A	137,580	21,062
International Business Machines Corp.	122,078	18,729
QUALCOMM Inc.	280,290	17,944
* eBay Inc.	379,175	14,310
Texas Instruments Inc.	135,476	14,149
HP Inc.	436,557	9,172
		337,116
Materials (1.6%)		
International Paper Co.	279,380	16,187
* Linde AG- Tender Line	48,310	11,327
BHP Billiton plc	415,585	8,403
LyondellBasell Industries NV Class A	56,705	6,256
DowDuPont Inc.	49,781	3,546
Linde AG	6,852	1,485
		47,204
Real Estate (0.9%)		
American Tower Corp.	138,478	19,757
AvalonBay Communities Inc.	15,915	2,839
Simon Property Group Inc.	16,274	2,795
		25,391
Telecommunication Services (1.9%)		
Verizon Communications Inc.	1,033,034	54,679
Utilities (2.7%)		
NextEra Energy Inc.	235,525	36,787
Dominion Energy Inc.	274,680	22,266
Exelon Corp.	406,400	16,016
Iberdrola SA	468,955	3,630
		78,699
Total Common Stocks (Cost $1,329,075)		1,893,682

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
U.S. Government and Agency Obligations (5.3%)				
U.S. Government Securities (5.2%)				
United States Treasury Note/Bond	0.875%	3/31/18	750	749
United States Treasury Note/Bond	0.750%	4/30/18	1,500	1,497
United States Treasury Note/Bond	1.000%	5/31/18	5,500	5,489
United States Treasury Note/Bond	0.750%	8/31/18	1,300	1,292
United States Treasury Note/Bond	1.375%	9/30/18	14,700	14,661
United States Treasury Note/Bond	0.750%	7/15/19	4,300	4,228
United States Treasury Note/Bond	1.250%	8/31/19	23,000	22,766
United States Treasury Note/Bond	1.750%	9/30/19	13,000	12,971
United States Treasury Note/Bond	1.375%	2/15/20	1,300	1,286
United States Treasury Note/Bond	1.375%	2/29/20	2,130	2,106
United States Treasury Note/Bond	1.625%	6/30/20	2,840	2,819
United States Treasury Note/Bond	1.500%	8/15/20	4,250	4,203
United States Treasury Note/Bond	1.250%	3/31/21	3,000	2,926
United States Treasury Note/Bond	1.375%	5/31/21	3,500	3,421
United States Treasury Note/Bond	2.000%	2/15/25	11,180	10,927
United States Treasury Note/Bond	2.000%	8/15/25	4,305	4,195
United States Treasury Note/Bond	2.375%	5/15/27	750	748
United States Treasury Note/Bond	2.250%	8/15/27	700	690
United States Treasury Note/Bond	2.250%	11/15/27	13,200	13,010
United States Treasury Note/Bond	2.875%	5/15/43	6,738	6,921
United States Treasury Note/Bond	3.375%	5/15/44	4,410	4,943
United States Treasury Note/Bond	3.125%	8/15/44	1,740	1,868
United States Treasury Note/Bond	2.500%	2/15/45	2,610	2,488
United States Treasury Note/Bond	2.875%	8/15/45	1,910	1,957
United States Treasury Note/Bond	2.500%	5/15/46	595	566
United States Treasury Note/Bond	2.250%	8/15/46	5,168	4,660
United States Treasury Note/Bond	2.875%	11/15/46	930	954
United States Treasury Note/Bond	3.000%	2/15/47	5,640	5,929
United States Treasury Note/Bond	3.000%	5/15/47	340	357
United States Treasury Note/Bond	2.750%	8/15/47	6,395	6,401
United States Treasury Note/Bond	2.750%	11/15/47	1,930	1,932
United States Treasury Strip Principal	0.000%	8/15/47	6,835	2,984
				151,944
Conventional Mortgage-Backed Securities (0.0%)				
[1,2] Freddie Mac Gold Pool	4.000%	9/1/41	6	6
[2] Ginnie Mae I Pool	7.000%	11/15/31–11/15/33	98	113
[2] Ginnie Mae I Pool	8.000%	9/15/30	52	55
				174
Nonconventional Mortgage-Backed Securities (0.1%)				
[1,2] Fannie Mae REMICS	3.500%	4/25/31	245	253
[1,2] Fannie Mae REMICS	4.000%	9/25/29–5/25/31	470	491
[1,2] Freddie Mac REMICS	3.500%	3/15/31	145	150
[1,2] Freddie Mac REMICS	4.000%	12/15/30–4/15/31	2,688	2,847
				3,741
Total U.S. Government and Agency Obligations (Cost $154,906)				155,859
Asset-Backed/Commercial Mortgage-Backed Securities (1.0%)				
[3] American Tower Trust I	1.551%	3/15/18	380	380
[3] American Tower Trust I	3.070%	3/15/23	1,100	1,104
[2,3,4] Apidos CLO XVII	2.663%	4/17/26	1,295	1,300
[2,3,4] Ares XXIX CLO Ltd.	2.543%	4/17/26	1,195	1,201
[2,3,4] Atlas Senior Loan Fund VI Ltd.	2.609%	10/15/26	355	356
[2,3,4] Avery Point IV CLO Ltd.	2.467%	4/25/26	1,190	1,192
[3] Bank of Montreal	2.500%	1/11/22	1,700	1,697
[2,3,4] BlueMountain CLO 2014-1 Ltd.	2.638%	4/30/26	725	730
[2,3,4] Cent CLO 20 Ltd.	2.467%	1/25/26	1,295	1,299
[2,3,4] Cent CLO 21 Ltd.	2.584%	7/27/26	415	417
[2,3,4] Cent CLO 22 Ltd.	2.802%	11/7/26	930	932
[2,3,4] CIFC Funding 2014 Ltd.	2.404%	4/18/25	1,185	1,188
[2] COMM 2012-CCRE2 Mortgage Trust	3.147%	8/15/45	480	487
[3] DNB Boligkreditt AS	2.500%	3/28/22	1,315	1,307
[2,3,4] Dryden 31 Senior Loan Fund	2.434%	4/18/26	1,160	1,164
[2,3] Enterprise Fleet Financing LLC Series 2017-1	2.130%	7/20/22	210	210
[2,3] GM Financial Consumer Automobile 2017-1	1.510%	3/16/20	532	531
[2] LB-UBS Commercial Mortgage Trust 2008-C1	6.319%	4/15/41	349	350
[2,3,4] Limerock CLO II Ltd.	2.654%	4/18/26	1,300	1,305
[2,3,4] Madison Park Funding XII Ltd.	2.623%	7/20/26	920	926
[2,3,4] Madison Park Funding XIII Ltd.	2.467%	1/19/25	745	748
[2,3] MMAF Equipment Finance LLC 2017-A	1.730%	5/18/20	214	214
[2,3] OneMain Direct Auto Receivables Trust 2017-2	2.310%	12/14/21	755	754
[2,3] OneMain Financial Issuance Trust 2016-2	4.100%	3/20/28	770	780
[2,3] OneMain Financial Issuance Trust 2017-1	2.370%	9/14/32	273	270
[2] Santander Drive Auto Receivables Trust 2014-2	2.330%	11/15/19	104	104
[3] SBA Tower Trust	2.898%	10/8/19	1,205	1,208
[2,3,4] Seneca Park CLO Ltd. 2014-1	2.473%	7/17/26	680	681
[2,3] SFAVE Commercial Mortgage Securities Trust 2015-5AVE	4.144%	1/5/43	700	714
[2,3,4] Shackleton 2014-VI CLO	2.513%	7/17/26	660	663
[2,3] Springleaf Funding Trust	3.160%	11/15/24	1,375	1,380
[2,3] Springleaf Funding Trust 2015-B	3.480%	5/15/28	590	596
[2,3,4] Symphony CLO XIV Ltd.	2.639%	7/14/26	1,125	1,128
[2,3,4] Thacher Park CLO Ltd.	2.523%	10/20/26	505	507
[3] Toronto-Dominion Bank	2.500%	1/18/22	2,100	2,093
[2] Utility Debt Securitization Authority Series 2013T	3.435%	12/15/25	210	216
[2,3,4] Voya CLO 2014-1 Ltd.	2.684%	4/18/26	525	527
Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost $30,616)				30,659
Corporate Bonds (20.9%)				
Finance (8.3%)				
Banking (6.7%)				
American Express Co.	1.550%	5/22/18	1,635	1,633
American Express Credit Corp.	2.125%	7/27/18	1,235	1,237
American Express Credit Corp.	2.250%	8/15/19	800	800
American Express Credit Corp.	2.700%	3/3/22	1,505	1,510
Banco Santander SA	3.125%	2/23/23	800	795
Bank of America Corp.	6.875%	4/25/18	1,250	1,269
Bank of America Corp.	3.300%	1/11/23	120	123
[2] Bank of America Corp.	2.816%	7/21/23	1,645	1,642
[2,3] Bank of America Corp.	3.004%	12/20/23	3,408	3,410
Bank of America Corp.	4.000%	1/22/25	875	910
[2] Bank of America Corp.	3.593%	7/21/28	1,025	1,037
[2,3] Bank of America Corp.	3.419%	12/20/28	512	511
Bank of America Corp.	5.875%	2/7/42	260	341
Bank of America Corp.	5.000%	1/21/44	1,000	1,208
Bank of New York Mellon Corp.	2.150%	2/24/20	1,580	1,576
Bank of New York Mellon Corp.	2.200%	8/16/23	460	445
[4] Bank of New York Mellon Corp.	2.428%	10/30/23	1,145	1,176
Bank of New York Mellon Corp.	3.000%	2/24/25	720	717
Bank of Nova Scotia	2.050%	10/30/18	1,600	1,601
Bank of Nova Scotia	2.800%	7/21/21	750	756
[3] Bank of Tokyo-Mitsubishi UFJ Ltd.	1.700%	3/5/18	1,390	1,390
[3] Banque Federative du Credit Mutuel SA	2.750%	10/15/20	1,200	1,206
Barclays Bank plc	5.140%	10/14/20	160	169
Barclays plc	3.684%	1/10/23	700	710
BB&T Corp.	2.750%	4/1/22	1,700	1,711
Bear Stearns Cos. LLC	7.250%	2/1/18	425	427
BNP Paribas SA	2.400%	12/12/18	1,300	1,303
[3] BNP Paribas SA	2.950%	5/23/22	620	622
BNP Paribas SA	3.250%	3/3/23	305	310
[3] BNP Paribas SA	3.800%	1/10/24	1,170	1,209
[3] BNP Paribas SA	3.500%	11/16/27	2,250	2,238
BPCE SA	2.500%	12/10/18	220	221
BPCE SA	2.500%	7/15/19	1,400	1,405
[3] BPCE SA	3.000%	5/22/22	255	255
BPCE SA	4.000%	4/15/24	775	819
[3] BPCE SA	5.150%	7/21/24	1,260	1,364

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
3	BPCE SA	3.500%	10/23/27	1,780	1,753
	Branch Banking & Trust Co.	2.625%	1/15/22	1,250	1,252
4	Canadian Imperial Bank of Commerce	2.320%	6/16/22	1,565	1,571
	Capital One Bank USA NA	2.150%	11/21/18	1,215	1,214
	Capital One Financial Corp.	4.750%	7/15/21	400	427
	Capital One Financial Corp.	3.750%	4/24/24	1,305	1,340
	Capital One Financial Corp.	3.200%	2/5/25	1,050	1,038
	Capital One Financial Corp.	4.200%	10/29/25	310	319
	Citigroup Inc.	1.750%	5/1/18	500	500
	Citigroup Inc.	2.500%	9/26/18	500	500
	Citigroup Inc.	2.550%	4/8/19	1,800	1,806
	Citigroup Inc.	2.500%	7/29/19	965	967
	Citigroup Inc.	2.400%	2/18/20	800	798
	Citigroup Inc.	4.500%	1/14/22	1,975	2,101
2	Citigroup Inc.	3.520%	10/27/28	1,975	1,981
	Citigroup Inc.	6.625%	6/15/32	2,000	2,545
	Citigroup Inc.	8.125%	7/15/39	101	161
	Compass Bank	2.750%	9/29/19	375	376
	Cooperatieve Rabobank UA	2.250%	1/14/19	1,350	1,352
3	Credit Agricole SA	2.500%	4/15/19	1,460	1,464
3	Credit Agricole SA	3.250%	10/4/24	840	833
	Credit Suisse AG	1.750%	1/29/18	840	840
	Credit Suisse AG	2.300%	5/28/19	2,845	2,850
	Credit Suisse AG	3.000%	10/29/21	735	743
	Credit Suisse AG	3.625%	9/9/24	250	258
3	Credit Suisse Group AG	3.574%	1/9/23	550	558
	Credit Suisse Group Funding Guernsey Ltd.	3.800%	9/15/22	1,335	1,375
	Credit Suisse Group Funding Guernsey Ltd.	3.750%	3/26/25	1,595	1,624
3	Danske Bank A/S	2.000%	9/8/21	1,120	1,095
	Deutsche Bank AG	1.875%	2/13/18	195	195
	Deutsche Bank AG	2.500%	2/13/19	270	270
	Deutsche Bank AG	2.700%	7/13/20	660	657
	Deutsche Bank AG	4.250%	10/14/21	1,215	1,259
	Fifth Third Bank	2.875%	10/1/21	425	428
	Fifth Third Bank	3.850%	3/15/26	830	857
	Goldman Sachs Group Inc.	5.950%	1/18/18	1,325	1,327
	Goldman Sachs Group Inc.	2.375%	1/22/18	555	555
	Goldman Sachs Group Inc.	5.375%	3/15/20	405	429
	Goldman Sachs Group Inc.	2.600%	4/23/20	170	170
	Goldman Sachs Group Inc.	6.000%	6/15/20	3,350	3,616
	Goldman Sachs Group Inc.	5.250%	7/27/21	865	938
	Goldman Sachs Group Inc.	5.750%	1/24/22	360	398
2	Goldman Sachs Group Inc.	2.876%	10/31/22	1,795	1,791
	Goldman Sachs Group Inc.	3.625%	1/22/23	1,980	2,036
2	Goldman Sachs Group Inc.	3.272%	9/29/25	1,205	1,196
	Goldman Sachs Group Inc.	3.500%	11/16/26	2,000	2,005
	Goldman Sachs Group Inc.	3.850%	1/26/27	740	758
2	Goldman Sachs Group Inc.	3.691%	6/5/28	810	821
	Goldman Sachs Group Inc.	6.750%	10/1/37	835	1,118
	Goldman Sachs Group Inc.	4.750%	10/21/45	680	775
3	HSBC Bank plc	4.750%	1/19/21	1,700	1,807
	HSBC Holdings plc	3.400%	3/8/21	1,535	1,568
	HSBC Holdings plc	4.000%	3/30/22	2,395	2,504
	HSBC Holdings plc	3.600%	5/25/23	1,600	1,646
2	HSBC Holdings plc	4.041%	3/13/28	890	926
	HSBC Holdings plc	6.500%	5/2/36	1,000	1,307
	HSBC Holdings plc	6.100%	1/14/42	375	515
	HSBC Holdings plc	5.250%	3/14/44	440	517
	HSBC USA Inc.	1.625%	1/16/18	1,005	1,005
	HSBC USA Inc.	2.350%	3/5/20	1,825	1,824
	HSBC USA Inc.	3.500%	6/23/24	620	636
	Huntington Bancshares Inc.	3.150%	3/14/21	800	813
	Huntington National Bank	2.200%	4/1/19	560	560
	Huntington National Bank	2.400%	4/1/20	1,160	1,158
3	ING Bank NV	1.800%	3/16/18	1,340	1,340
	ING Groep NV	3.150%	3/29/22	365	368
	ING Groep NV	3.950%	3/29/27	820	855
	JPMorgan Chase & Co.	6.300%	4/23/19	465	490
	JPMorgan Chase & Co.	4.950%	3/25/20	650	687
	JPMorgan Chase & Co.	4.350%	8/15/21	4,862	5,148
	JPMorgan Chase & Co.	4.500%	1/24/22	495	528
	JPMorgan Chase & Co.	3.250%	9/23/22	970	989
	JPMorgan Chase & Co.	3.375%	5/1/23	875	890
	JPMorgan Chase & Co.	3.875%	2/1/24	800	838
	JPMorgan Chase & Co.	3.900%	7/15/25	2,270	2,370
	JPMorgan Chase & Co.	4.125%	12/15/26	765	807
	JPMorgan Chase & Co.	4.250%	10/1/27	2,295	2,433
	JPMorgan Chase & Co.	5.400%	1/6/42	750	941
2	JPMorgan Chase & Co.	3.964%	11/15/48	5,550	5,726
3	Macquarie Bank Ltd.	2.400%	1/21/20	330	329
	Manufacturers & Traders Trust Co.	2.100%	2/6/20	495	493
	Manufacturers & Traders Trust Co.	2.900%	2/6/25	685	680
	Morgan Stanley	1.875%	1/5/18	255	255
	Morgan Stanley	2.125%	4/25/18	1,375	1,376
	Morgan Stanley	2.500%	1/24/19	2,500	2,510
	Morgan Stanley	5.625%	9/23/19	645	680
	Morgan Stanley	5.750%	1/25/21	1,740	1,895
	Morgan Stanley	2.500%	4/21/21	1,175	1,172
	Morgan Stanley	2.625%	11/17/21	800	795
	Morgan Stanley	2.750%	5/19/22	1,710	1,700
	Morgan Stanley	3.700%	10/23/24	750	773
	Morgan Stanley	3.125%	7/27/26	1,345	1,327
	Morgan Stanley	6.250%	8/9/26	3,000	3,582
	Morgan Stanley	3.625%	1/20/27	1,250	1,275
	Morgan Stanley	4.300%	1/27/45	850	912
	National City Corp.	6.875%	5/15/19	1,000	1,061
3	Nationwide Building Society	2.350%	1/21/20	785	784
3	NBK SPC Ltd.	2.750%	5/30/22	1,530	1,505
	Northern Trust Corp.	3.450%	11/4/20	255	262
	PNC Bank NA	3.300%	10/30/24	460	470
	PNC Bank NA	2.950%	2/23/25	1,105	1,098
	PNC Bank NA	4.200%	11/1/25	255	273
	PNC Bank NA	3.100%	10/25/27	1,165	1,161
	PNC Financial Services Group Inc.	3.900%	4/29/24	580	607
	Royal Bank of Canada	2.750%	2/1/22	1,195	1,206
	Santander Holdings USA Inc.	2.700%	5/24/19	800	801
	Santander Holdings USA Inc.	2.650%	4/17/20	580	579
3	Santander Holdings USA Inc.	3.700%	3/28/22	915	926
3	Santander Holdings USA Inc.	3.400%	1/18/23	605	603
3	Skandinaviska Enskilda Banken AB	2.450%	5/27/20	1,600	1,602
3	Societe Generale SA	3.250%	1/12/22	1,515	1,527
2	State Street Corp.	2.653%	5/15/23	840	839
	SunTrust Bank	3.300%	5/15/26	340	336
	Svenska Handelsbanken AB	1.875%	9/7/21	1,050	1,025
	Synchrony Financial	3.000%	8/15/19	1,055	1,063
	Synchrony Financial	2.700%	2/3/20	1,605	1,608
	Toronto-Dominion Bank	2.500%	12/14/20	985	988
	UBS AG	1.800%	3/26/18	1,020	1,020
3	UBS AG	2.200%	6/8/20	750	745
3	UBS Group Funding Jersey Ltd.	2.950%	9/24/20	1,160	1,170
3	UBS Group Funding Jersey Ltd.	2.650%	2/1/22	1,250	1,236
	US Bancorp	2.625%	1/24/22	1,305	1,312
	US Bancorp	3.700%	1/30/24	1,560	1,638
	Wachovia Corp.	7.500%	4/15/35	1,000	1,351
	Wells Fargo & Co.	2.150%	1/15/19	2,915	2,917
	Wells Fargo & Co.	3.000%	1/22/21	505	512
	Wells Fargo & Co.	3.500%	3/8/22	640	660
	Wells Fargo & Co.	3.069%	1/24/23	195	196
	Wells Fargo & Co.	3.450%	2/13/23	735	749
	Wells Fargo & Co.	4.480%	1/16/24	1,199	1,288
	Wells Fargo & Co.	3.000%	2/19/25	890	881
	Wells Fargo & Co.	3.550%	9/29/25	860	881
	Wells Fargo & Co.	3.000%	4/22/26	1,045	1,026
	Wells Fargo & Co.	4.100%	6/3/26	340	357
	Wells Fargo & Co.	3.000%	10/23/26	170	166
	Wells Fargo & Co.	5.606%	1/15/44	2,276	2,807
	Wells Fargo & Co.	4.900%	11/17/45	515	583
	Wells Fargo & Co.	4.750%	12/7/46	620	690

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Brokerage (0.0%)				
Ameriprise Financial Inc.	5.300%	3/15/20	305	323
Charles Schwab Corp.	3.200%	3/2/27	545	548
Finance Companies (0.4%)				
GE Capital International Funding Co. Unlimited Co.	2.342%	11/15/20	1,192	1,187
GE Capital International Funding Co. Unlimited Co.	3.373%	11/15/25	3,460	3,515
GE Capital International Funding Co. Unlimited Co.	4.418%	11/15/35	4,955	5,361
Insurance (1.1%)				
Aetna Inc.	2.800%	6/15/23	680	668
[2,4] Allstate Corp.	3.351%	5/15/67	855	842
Anthem Inc.	2.300%	7/15/18	375	375
Anthem Inc.	3.125%	5/15/22	1,610	1,625
Anthem Inc.	3.300%	1/15/23	1,100	1,117
Anthem Inc.	4.650%	8/15/44	426	474
Anthem Inc.	4.375%	12/1/47	270	287
Berkshire Hathaway Inc.	2.750%	3/15/23	1,050	1,057
Berkshire Hathaway Inc.	3.125%	3/15/26	715	721
Chubb INA Holdings Inc.	5.800%	3/15/18	1,295	1,305
Chubb INA Holdings Inc.	2.300%	11/3/20	170	170
Chubb INA Holdings Inc.	3.350%	5/15/24	555	570
Chubb INA Holdings Inc.	4.350%	11/3/45	800	897
Cigna Corp.	3.250%	4/15/25	880	874
CNA Financial Corp.	3.950%	5/15/24	135	140
[3] Five Corners Funding Trust	4.419%	11/15/23	210	225
[3] Liberty Mutual Group Inc.	4.250%	6/15/23	360	378
Loews Corp.	2.625%	5/15/23	440	434
[2,3] Massachusetts Mutual Life Insurance Co.	7.625%	11/15/23	2,000	2,386
MetLife Inc.	3.600%	4/10/24	580	607
MetLife Inc.	4.125%	8/13/42	145	153
MetLife Inc.	4.875%	11/13/43	530	621
[3] Metropolitan Life Global Funding I	1.500%	1/10/18	1,480	1,480
[3] Metropolitan Life Global Funding I	1.875%	6/22/18	950	950
[3] Metropolitan Life Global Funding I	2.650%	4/8/22	340	340
[3] Metropolitan Life Global Funding I	3.450%	12/18/26	640	658
[3] Metropolitan Life Global Funding I	3.000%	9/19/27	1,165	1,147
[3] New York Life Global Funding	2.900%	1/17/24	810	813
[3] New York Life Insurance Co.	5.875%	5/15/33	2,100	2,702
[3] Northwestern Mutual Life Insurance Co.	3.850%	9/30/47	656	665
[3] Teachers Insurance & Annuity Assn. of America	4.900%	9/15/44	375	430
[3] Teachers Insurance & Annuity Assn. of America	4.270%	5/15/47	1,145	1,212
UnitedHealth Group Inc.	6.000%	2/15/18	700	703
UnitedHealth Group Inc.	3.875%	10/15/20	601	623
UnitedHealth Group Inc.	2.875%	3/15/22	27	27
UnitedHealth Group Inc.	2.875%	3/15/23	1,175	1,185
UnitedHealth Group Inc.	3.100%	3/15/26	430	432
UnitedHealth Group Inc.	4.625%	7/15/35	815	940
UnitedHealth Group Inc.	4.250%	3/15/43	1,600	1,732
UnitedHealth Group Inc.	4.750%	7/15/45	760	898
Other Finance (0.0%)				
[3] LeasePlan Corp. NV	2.875%	1/22/19	970	970
Real Estate Investment Trusts (0.1%)				
AvalonBay Communities Inc.	3.625%	10/1/20	520	534
Boston Properties LP	3.125%	9/1/23	355	358
Boston Properties LP	3.800%	2/1/24	45	47
Realty Income Corp.	4.650%	8/1/23	640	690
Simon Property Group LP	3.750%	2/1/24	90	94
Simon Property Group LP	3.375%	10/1/24	275	281
[3] WEA Finance LLC / Westfield UK & Europe Finance plc	2.700%	9/17/19	1,330	1,338
				244,864

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Industrial (10.0%)				
Basic Industry (0.0%)				
International Paper Co.	4.350%	8/15/48	800	836
Capital Goods (0.7%)				
[3] BAE Systems Holdings Inc.	2.850%	12/15/20	160	161
[3] BAE Systems Holdings Inc.	3.850%	12/15/25	1,085	1,120
Caterpillar Financial Services Corp.	2.625%	3/1/23	1,360	1,354
Caterpillar Inc.	3.900%	5/27/21	1,170	1,226
Caterpillar Inc.	2.600%	6/26/22	705	706
Caterpillar Inc.	3.400%	5/15/24	810	839
General Dynamics Corp.	3.875%	7/15/21	355	372
General Electric Co.	4.625%	1/7/21	321	340
General Electric Co.	5.300%	2/11/21	228	245
General Electric Co.	3.150%	9/7/22	967	982
General Electric Co.	2.700%	10/9/22	210	210
General Electric Co.	3.100%	1/9/23	360	365
General Electric Co.	4.500%	3/11/44	1,050	1,163
Honeywell International Inc.	4.250%	3/1/21	1,002	1,060
Illinois Tool Works Inc.	3.500%	3/1/24	1,295	1,354
John Deere Capital Corp.	2.250%	4/17/19	1,465	1,468
John Deere Capital Corp.	1.700%	1/15/20	520	515
Lockheed Martin Corp.	2.900%	3/1/25	610	607
Lockheed Martin Corp.	4.500%	5/15/36	211	236
Lockheed Martin Corp.	4.700%	5/15/46	520	604
Parker-Hannifin Corp.	4.450%	11/21/44	450	501
[3] Siemens Financieringsmaatschappij NV	2.900%	5/27/22	1,050	1,059
[3] Siemens Financieringsmaatschappij NV	3.125%	3/16/24	1,680	1,702
[3] Siemens Financieringsmaatschappij NV	4.400%	5/27/45	800	901
United Technologies Corp.	3.100%	6/1/22	535	545
United Technologies Corp.	6.050%	6/1/36	675	866
United Technologies Corp.	4.500%	6/1/42	325	359
Communication (1.3%)				
21st Century Fox America Inc.	3.000%	9/15/22	245	248
America Movil SAB de CV	3.125%	7/16/22	1,880	1,900
America Movil SAB de CV	6.125%	3/30/40	390	496
American Tower Corp.	3.450%	9/15/21	1,125	1,147
American Tower Corp.	5.000%	2/15/24	220	240
AT&T Inc.	5.600%	5/15/18	1,000	1,013
AT&T Inc.	5.200%	3/15/20	255	270
AT&T Inc.	2.450%	6/30/20	225	225
AT&T Inc.	4.600%	2/15/21	100	105
AT&T Inc.	4.500%	3/9/48	602	564
CBS Corp.	4.300%	2/15/21	675	705
Comcast Corp.	3.600%	3/1/24	2,900	3,016
Comcast Corp.	3.375%	2/15/25	70	72
Comcast Corp.	2.350%	1/15/27	540	509
Comcast Corp.	4.250%	1/15/33	1,032	1,121
Comcast Corp.	4.200%	8/15/34	620	661
Comcast Corp.	5.650%	6/15/35	110	137
Comcast Corp.	4.400%	8/15/35	700	765
Comcast Corp.	6.500%	11/15/35	115	155
Comcast Corp.	6.400%	5/15/38	27	37
Comcast Corp.	4.650%	7/15/42	1,290	1,454
Comcast Corp.	4.500%	1/15/43	500	553
Comcast Corp.	4.750%	3/1/44	525	599
Comcast Corp.	4.600%	8/15/45	1,110	1,246
Comcast Corp.	4.049%	11/1/52	127	130
[3] Cox Communications Inc.	4.800%	2/1/35	1,540	1,545
[3] Cox Communications Inc.	6.450%	12/1/36	45	53
[3] Cox Communications Inc.	4.600%	8/15/47	125	126
Discovery Communications LLC	5.625%	8/15/19	49	51
[3] GTP Acquisition Partners I LLC	2.350%	6/15/20	580	574
[3] NBCUniversal Enterprise Inc.	1.974%	4/15/19	2,530	2,525
NBCUniversal Media LLC	4.375%	4/1/21	600	635
NBCUniversal Media LLC	2.875%	1/15/23	240	242
Orange SA	4.125%	9/14/21	1,740	1,841
Orange SA	9.000%	3/1/31	530	797
[3] SBA Tower Trust	3.168%	4/11/22	1,330	1,325
[3] Sky plc	2.625%	9/16/19	975	975

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
3	Sky plc	3.750%	9/16/24	1,435	1,491
	Time Warner Cable LLC	8.750%	2/14/19	25	27
	Time Warner Cable LLC	8.250%	4/1/19	364	389
	Time Warner Entertainment Co. LP	8.375%	3/15/23	95	115
	Time Warner Inc.	4.875%	3/15/20	700	735
	Time Warner Inc.	4.750%	3/29/21	350	372
	Verizon Communications Inc.	3.500%	11/1/21	1,040	1,070
	Verizon Communications Inc.	4.812%	3/15/39	2,406	2,517
	Verizon Communications Inc.	4.750%	11/1/41	290	296
	Verizon Communications Inc.	4.862%	8/21/46	1,151	1,200
	Verizon Communications Inc.	5.012%	4/15/49	1,133	1,188
	Walt Disney Co.	4.125%	6/1/44	560	603
	Consumer Cyclical (1.4%)				
	Alibaba Group Holding Ltd.	3.600%	11/28/24	1,065	1,105
	Alibaba Group Holding Ltd.	3.400%	12/6/27	1,750	1,749
	Amazon.com Inc.	2.500%	11/29/22	885	884
3	Amazon.com Inc.	2.800%	8/22/24	715	713
	Amazon.com Inc.	4.800%	12/5/34	995	1,161
	Amazon.com Inc.	4.950%	12/5/44	580	703
3	Amazon.com Inc.	4.250%	8/22/57	1,385	1,508
3	American Honda Finance Corp.	1.600%	2/16/18	810	810
	American Honda Finance Corp.	2.125%	10/10/18	1,110	1,111
	AutoZone Inc.	3.700%	4/15/22	1,371	1,410
	AutoZone Inc.	3.125%	7/15/23	600	603
3	BMW US Capital LLC	2.000%	4/11/21	585	576
3	BMW US Capital LLC	2.250%	9/15/23	2,500	2,429
3	BMW US Capital LLC	2.800%	4/11/26	151	147
	CVS Health Corp.	2.750%	12/1/22	965	949
	CVS Health Corp.	4.875%	7/20/35	315	347
	CVS Health Corp.	5.125%	7/20/45	1,310	1,504
3	Daimler Finance North America LLC	2.375%	8/1/18	900	902
3	Daimler Finance North America LLC	2.250%	7/31/19	1,575	1,576
3	Daimler Finance North America LLC	2.200%	5/5/20	470	467
3	Daimler Finance North America LLC	2.300%	2/12/21	945	937
3	Daimler Finance North America LLC	3.250%	8/1/24	160	163
	Ford Motor Co.	4.346%	12/8/26	1,225	1,277
	Ford Motor Credit Co. LLC	2.375%	3/12/19	900	900
	Ford Motor Credit Co. LLC	3.157%	8/4/20	710	718
	General Motors Financial Co. Inc.	3.950%	4/13/24	1,570	1,614
	Home Depot Inc.	2.250%	9/10/18	975	977
	Home Depot Inc.	2.700%	4/1/23	720	725
	Home Depot Inc.	4.400%	3/15/45	780	883
3	Hyundai Capital America	2.550%	4/3/20	790	783
	Lowe's Cos. Inc.	3.100%	5/3/27	1,300	1,305
	Lowe's Cos. Inc.	6.500%	3/15/29	334	429
	McDonald's Corp.	2.625%	1/15/22	195	195
	McDonald's Corp.	3.250%	6/10/24	140	143
	McDonald's Corp.	4.875%	12/9/45	260	301
3	Nissan Motor Acceptance Corp.	1.800%	3/15/18	1,100	1,100
3	Nissan Motor Acceptance Corp.	2.650%	9/26/18	585	587
3	Volkswagen Group of America Finance LLC	2.450%	11/20/19	440	440
	Wal-Mart Stores Inc.	3.250%	10/25/20	742	765
	Wal-Mart Stores Inc.	4.250%	4/15/21	1,000	1,063
	Wal-Mart Stores Inc.	2.550%	4/11/23	1,250	1,254
	Wal-Mart Stores Inc.	5.625%	4/15/41	2,790	3,797
	Wal-Mart Stores Inc.	3.625%	12/15/47	380	399
	Consumer Noncyclical (3.3%)				
	Allergan Funding SCS	3.000%	3/12/20	985	992
	Allergan Funding SCS	3.450%	3/15/22	450	457
	Allergan Funding SCS	3.800%	3/15/25	1,125	1,141
	Allergan Funding SCS	4.550%	3/15/35	270	284
	Allergan Funding SCS	4.850%	6/15/44	450	482
	Altria Group Inc.	4.750%	5/5/21	590	632
	Altria Group Inc.	2.850%	8/9/22	455	457
	Altria Group Inc.	4.500%	5/2/43	245	265
	AmerisourceBergen Corp.	3.500%	11/15/21	1,310	1,340
	Amgen Inc.	3.875%	11/15/21	310	324
	Amgen Inc.	5.150%	11/15/41	945	1,130
	Anheuser-Busch InBev Finance Inc.	3.300%	2/1/23	2,000	2,045
	Anheuser-Busch InBev Finance Inc.	3.650%	2/1/26	1,805	1,862
	Anheuser-Busch InBev Finance Inc.	4.700%	2/1/36	3,990	4,477
	Anheuser-Busch InBev Finance Inc.	4.900%	2/1/46	2,640	3,056
	Anheuser-Busch InBev Worldwide Inc.	3.750%	1/15/22	400	418
	Anheuser-Busch InBev Worldwide Inc.	2.500%	7/15/22	3,780	3,747
	Anheuser-Busch InBev Worldwide Inc.	3.750%	7/15/42	520	507
	Ascension Health	3.945%	11/15/46	725	761
2	Ascension Health	4.847%	11/15/53	55	65
	AstraZeneca plc	1.950%	9/18/19	390	387
	AstraZeneca plc	2.375%	11/16/20	1,180	1,177
	AstraZeneca plc	6.450%	9/15/37	615	831
3	BAT International Finance plc	2.750%	6/15/20	550	552
3	BAT International Finance plc	3.250%	6/7/22	1,480	1,497
3	BAT International Finance plc	3.500%	6/15/22	235	240
3	Bayer US Finance LLC	2.375%	10/8/19	200	200
3	Bayer US Finance LLC	3.000%	10/8/21	1,980	1,998
	Biogen Inc.	2.900%	9/15/20	550	558
	Cardinal Health Inc.	2.400%	11/15/19	625	625
	Cardinal Health Inc.	3.200%	3/15/23	1,065	1,066
	Cardinal Health Inc.	3.079%	6/15/24	320	315
	Cardinal Health Inc.	3.500%	11/15/24	580	584
	Cardinal Health Inc.	4.500%	11/15/44	665	678
3	Cargill Inc.	4.307%	5/14/21	2,092	2,197
3	Cargill Inc.	6.875%	5/1/28	645	806
3	Cargill Inc.	4.760%	11/23/45	635	752
	Catholic Health Initiatives Colorado GO	2.600%	8/1/18	255	256
	Catholic Health Initiatives Colorado GO	2.950%	11/1/22	535	530
	Catholic Health Initiatives Colorado GO	4.200%	8/1/23	465	479
2	Catholic Health Initiatives Colorado GO	4.350%	11/1/42	496	479
	Celgene Corp.	2.250%	5/15/19	160	160
	Celgene Corp.	3.550%	8/15/22	475	488
	Coca-Cola Co.	3.300%	9/1/21	300	309
	Coca-Cola Enterprises Inc.	3.500%	9/15/20	500	513
	Coca-Cola Femsa SAB de CV	2.375%	11/26/18	346	347
	Coca-Cola Femsa SAB de CV	3.875%	11/26/23	850	882
	Colgate-Palmolive Co.	7.600%	5/19/25	480	616
	Constellation Brands Inc.	2.700%	5/9/22	65	65
	Diageo Capital plc	2.625%	4/29/23	1,230	1,228
	Diageo Investment Corp.	2.875%	5/11/22	525	531
	Dignity Health California GO	2.637%	11/1/19	140	140
	Dignity Health California GO	3.812%	11/1/24	300	308
	Eli Lilly & Co.	3.700%	3/1/45	635	658
3	EMD Finance LLC	2.950%	3/19/22	605	608
3	Forest Laboratories Inc.	4.875%	2/15/21	268	282
	Gilead Sciences Inc.	2.550%	9/1/20	615	620
	Gilead Sciences Inc.	3.700%	4/1/24	1,010	1,054
	Gilead Sciences Inc.	3.500%	2/1/25	560	577
	Gilead Sciences Inc.	4.500%	2/1/45	825	914
	Gilead Sciences Inc.	4.750%	3/1/46	195	224
	GlaxoSmithKline Capital Inc.	2.800%	3/18/23	385	389
	GlaxoSmithKline Capital Inc.	5.375%	4/15/34	2,000	2,425
3	Imperial Tobacco Finance plc	3.750%	7/21/22	1,680	1,731
3	Japan Tobacco Inc.	2.100%	7/23/18	545	546
	Kaiser Foundation Hospitals	3.500%	4/1/22	560	576
	Kaiser Foundation Hospitals	3.150%	5/1/27	490	490
	Kaiser Foundation Hospitals	4.875%	4/1/42	365	432
	Kraft Heinz Foods Co.	3.000%	6/1/26	530	510
	Kraft Heinz Foods Co.	5.000%	7/15/35	230	251
	Kraft Heinz Foods Co.	4.375%	6/1/46	1,710	1,694
	McKesson Corp.	2.700%	12/15/22	195	193
	McKesson Corp.	2.850%	3/15/23	190	189
	McKesson Corp.	3.796%	3/15/24	305	316
	McKesson Corp.	4.883%	3/15/44	718	772
	Medtronic Inc.	1.375%	4/1/18	225	225
	Medtronic Inc.	2.500%	3/15/20	935	940
	Medtronic Inc.	3.150%	3/15/22	1,690	1,731
	Medtronic Inc.	3.625%	3/15/24	270	282
	Medtronic Inc.	3.500%	3/15/25	2,196	2,282
	Medtronic Inc.	4.375%	3/15/35	249	280

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Memorial Sloan-Kettering Cancer Center New York GO	4.125%	7/1/52	310	328
Memorial Sloan-Kettering Cancer Center New York GO	4.200%	7/1/55	405	437
Merck & Co. Inc.	2.350%	2/10/22	790	788
Merck & Co. Inc.	2.800%	5/18/23	1,175	1,183
Merck & Co. Inc.	2.750%	2/10/25	1,210	1,204
Merck & Co. Inc.	4.150%	5/18/43	760	842
Molson Coors Brewing Co.	3.500%	5/1/22	690	704
Molson Coors Brewing Co.	5.000%	5/1/42	160	182
New York & Presbyterian Hospital	4.024%	8/1/45	735	778
Novartis Capital Corp.	3.400%	5/6/24	415	431
Novartis Capital Corp.	4.400%	5/6/44	640	735
Partners Healthcare System Massachusetts GO	3.443%	7/1/21	50	51
PepsiCo Inc.	3.125%	11/1/20	330	338
PepsiCo Inc.	2.750%	3/5/22	670	678
PepsiCo Inc.	2.375%	10/6/26	1,945	1,846
PepsiCo Inc.	4.000%	3/5/42	845	887
PepsiCo Inc.	3.450%	10/6/46	1,215	1,180
Pfizer Inc.	3.000%	6/15/23	755	770
Pfizer Inc.	3.000%	12/15/26	1,200	1,208
Philip Morris International Inc.	4.500%	3/26/20	250	262
Philip Morris International Inc.	4.125%	5/17/21	1,025	1,077
Philip Morris International Inc.	2.500%	8/22/22	575	569
Philip Morris International Inc.	2.625%	3/6/23	1,150	1,138
Philip Morris International Inc.	3.375%	8/11/25	424	433
Philip Morris International Inc.	4.875%	11/15/43	145	166
[2] Procter & Gamble - Esop	9.360%	1/1/21	746	826
Providence St. Joseph Health Obligated Group	2.746%	10/1/26	490	474
[3] Roche Holdings Inc.	2.875%	9/29/21	850	862
[3] Roche Holdings Inc.	2.375%	1/28/27	1,650	1,562
Sanofi	4.000%	3/29/21	1,130	1,189
[3] Sigma Alimentos SA de CV	4.125%	5/2/26	510	515
SSM Health Care Corp.	3.823%	6/1/27	1,000	1,032
Teva Pharmaceutical Finance Netherlands III BV	2.800%	7/21/23	980	852
The Kroger Co.	3.850%	8/1/23	270	281
The Kroger Co.	4.000%	2/1/24	540	558
The Pepsi Bottling Group Inc.	7.000%	3/1/29	500	675
Unilever Capital Corp.	4.250%	2/10/21	2,805	2,957
Energy (1.3%)				
[3] BG Energy Capital plc	4.000%	10/15/21	555	582
BP Capital Markets plc	4.750%	3/10/19	795	820
BP Capital Markets plc	2.315%	2/13/20	160	160
BP Capital Markets plc	4.500%	10/1/20	400	423
BP Capital Markets plc	3.062%	3/17/22	1,100	1,123
BP Capital Markets plc	3.245%	5/6/22	650	668
BP Capital Markets plc	2.500%	11/6/22	500	497
BP Capital Markets plc	3.994%	9/26/23	420	446
BP Capital Markets plc	3.814%	2/10/24	1,700	1,789
BP Capital Markets plc	3.506%	3/17/25	1,280	1,325
Chevron Corp.	3.191%	6/24/23	1,235	1,266
ConocoPhillips Co.	4.200%	3/15/21	293	307
ConocoPhillips Co.	2.875%	11/15/21	321	323
ConocoPhillips Co.	3.350%	11/15/24	1,040	1,069
ConocoPhillips Co.	3.350%	5/15/25	245	251
ConocoPhillips Co.	4.950%	3/15/26	115	131
ConocoPhillips Co.	4.300%	11/15/44	1,570	1,712
Devon Energy Corp.	3.250%	5/15/22	495	504
Dominion Energy Gas Holdings LLC	3.550%	11/1/23	470	476
EOG Resources Inc.	5.625%	6/1/19	425	444
Exxon Mobil Corp.	2.222%	3/1/21	380	379
Exxon Mobil Corp.	2.726%	3/1/23	320	322
Exxon Mobil Corp.	3.043%	3/1/26	225	228
Exxon Mobil Corp.	4.114%	3/1/46	320	356
Halliburton Co.	3.500%	8/1/23	1,980	2,032
Noble Energy Inc.	4.150%	12/15/21	425	443
Occidental Petroleum Corp.	4.100%	2/1/21	1,120	1,169
Occidental Petroleum Corp.	2.700%	2/15/23	250	249
Occidental Petroleum Corp.	3.400%	4/15/26	790	810
[3] Schlumberger Holdings Corp.	3.000%	12/21/20	800	809
[3] Schlumberger Investment SA	2.400%	8/1/22	630	622
Schlumberger Investment SA	3.650%	12/1/23	1,120	1,175
Shell International Finance BV	4.375%	3/25/20	800	837
Shell International Finance BV	2.250%	11/10/20	1,600	1,599
Shell International Finance BV	4.125%	5/11/35	1,130	1,236
Shell International Finance BV	5.500%	3/25/40	345	439
Shell International Finance BV	4.375%	5/11/45	2,500	2,810
Suncor Energy Inc.	5.950%	12/1/34	500	627
Sunoco Logistics Partners Operations LP	4.400%	4/1/21	1,225	1,274
Total Capital International SA	2.700%	1/25/23	885	886
Total Capital International SA	3.750%	4/10/24	1,400	1,476
Total Capital SA	2.125%	8/10/18	850	851
TransCanada PipeLines Ltd.	3.800%	10/1/20	1,220	1,264
TransCanada PipeLines Ltd.	4.875%	1/15/26	1,255	1,407
Other Industrial (0.0%)				
[2] Johns Hopkins University Maryland GO	4.083%	7/1/53	690	743
Technology (1.6%)				
Apple Inc.	2.850%	5/6/21	1,100	1,118
Apple Inc.	3.000%	2/9/24	620	627
Apple Inc.	3.450%	5/6/24	1,000	1,037
Apple Inc.	2.850%	5/11/24	1,225	1,229
Apple Inc.	2.750%	1/13/25	590	585
Apple Inc.	3.250%	2/23/26	1,020	1,041
Apple Inc.	2.450%	8/4/26	1,170	1,124
Apple Inc.	3.350%	2/9/27	1,545	1,582
Apple Inc.	3.200%	5/11/27	1,065	1,078
Apple Inc.	2.900%	9/12/27	2,250	2,215
Apple Inc.	3.850%	5/4/43	430	447
Apple Inc.	4.450%	5/6/44	120	136
Apple Inc.	3.850%	8/4/46	985	1,021
Applied Materials Inc.	3.300%	4/1/27	875	888
[3] Broadcom Corp. / Broadcom Cayman Finance Ltd.	3.625%	1/15/24	760	756
Cisco Systems Inc.	4.450%	1/15/20	605	632
Cisco Systems Inc.	2.900%	3/4/21	320	325
Cisco Systems Inc.	2.500%	9/20/26	431	418
Intel Corp.	2.875%	5/11/24	800	805
Intel Corp.	4.100%	5/19/46	1,360	1,486
International Business Machines Corp.	3.375%	8/1/23	1,750	1,808
International Business Machines Corp.	5.875%	11/29/32	1,010	1,305
Microsoft Corp.	2.375%	2/12/22	635	641
Microsoft Corp.	3.625%	12/15/23	500	526
Microsoft Corp.	2.875%	2/6/24	1,385	1,401
Microsoft Corp.	2.700%	2/12/25	760	757
Microsoft Corp.	3.125%	11/3/25	845	862
Microsoft Corp.	2.400%	8/8/26	1,890	1,824
Microsoft Corp.	3.500%	2/12/35	605	628
Microsoft Corp.	3.450%	8/8/36	1,725	1,777
Microsoft Corp.	4.100%	2/6/37	1,225	1,368
Microsoft Corp.	4.450%	11/3/45	380	443
Microsoft Corp.	3.700%	8/8/46	1,615	1,684
Microsoft Corp.	4.250%	2/6/47	2,500	2,858
Oracle Corp.	2.800%	7/8/21	375	381
Oracle Corp.	2.500%	5/15/22	1,210	1,211
Oracle Corp.	2.950%	11/15/24	2,190	2,206
Oracle Corp.	2.950%	5/15/25	355	356
Oracle Corp.	3.250%	11/15/27	3,065	3,110
Oracle Corp.	4.000%	11/15/47	895	951
QUALCOMM Inc.	2.600%	1/30/23	705	686
QUALCOMM Inc.	2.900%	5/20/24	1,285	1,253
Transportation (0.4%)				
Burlington Northern Santa Fe LLC	3.000%	3/15/23	565	576
Burlington Northern Santa Fe LLC	3.850%	9/1/23	1,630	1,718
Burlington Northern Santa Fe LLC	3.250%	6/15/27	335	341

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[2] Continental Airlines 2007-1 Class A Pass Through Trust	5.983%	10/19/23	676	735
[3] ERAC USA Finance LLC	2.350%	10/15/19	610	608
[3] ERAC USA Finance LLC	4.500%	8/16/21	325	343
[3] ERAC USA Finance LLC	3.300%	10/15/22	40	41
[3] ERAC USA Finance LLC	7.000%	10/15/37	1,150	1,540
[2] Federal Express Corp. 1998 Pass Through Trust	6.720%	1/15/22	794	847
FedEx Corp.	2.700%	4/15/23	255	253
FedEx Corp.	3.875%	8/1/42	120	118
FedEx Corp.	4.100%	4/15/43	500	511
FedEx Corp.	5.100%	1/15/44	340	393
FedEx Corp.	4.550%	4/1/46	215	236
Kansas City Southern	4.950%	8/15/45	480	545
[2] Southwest Airlines Co. 2007-1 Pass Through Trust	6.150%	2/1/24	336	364
United Parcel Service Inc.	2.450%	10/1/22	425	423
United Parcel Service Inc.	4.875%	11/15/40	305	365
				293,492
Utilities (2.6%)				
Electric (2.4%)				
Alabama Power Co.	5.200%	6/1/41	120	145
Alabama Power Co.	4.100%	1/15/42	215	226
Alabama Power Co.	3.750%	3/1/45	630	641
Ameren Illinois Co.	6.125%	12/15/28	1,000	1,191
Ameren Illinois Co.	3.700%	12/1/47	140	144
Berkshire Hathaway Energy Co.	6.125%	4/1/36	1,160	1,556
Berkshire Hathaway Energy Co.	5.150%	11/15/43	1,490	1,790
Commonwealth Edison Co.	2.950%	8/15/27	645	637
Commonwealth Edison Co.	4.350%	11/15/45	220	247
Commonwealth Edison Co.	3.650%	6/15/46	175	177
Connecticut Light & Power Co.	5.650%	5/1/18	465	471
Consolidated Edison Co. of New York Inc.	4.500%	12/1/45	980	1,126
Consolidated Edison Co. of New York Inc.	3.850%	6/15/46	76	79
Consolidated Edison Co. of New York Inc.	4.625%	12/1/54	1,365	1,565
Delmarva Power & Light Co.	3.500%	11/15/23	305	315
Dominion Energy Inc.	2.962%	7/1/19	495	499
Dominion Energy Inc.	5.200%	8/15/19	750	782
Dominion Energy Inc.	2.579%	7/1/20	640	640
Dominion Energy Inc.	3.625%	12/1/24	1,515	1,563
DTE Energy Co.	3.800%	3/15/27	250	258
Duke Energy Carolinas LLC	5.250%	1/15/18	275	275
Duke Energy Carolinas LLC	5.100%	4/15/18	590	594
Duke Energy Carolinas LLC	3.900%	6/15/21	1,090	1,139
Duke Energy Carolinas LLC	6.100%	6/1/37	391	515
Duke Energy Carolinas LLC	3.700%	12/1/47	470	483
Duke Energy Corp.	2.650%	9/1/26	315	301
Duke Energy Corp.	4.800%	12/15/45	1,200	1,396
Duke Energy Corp.	3.750%	9/1/46	265	262
Duke Energy Florida LLC	6.350%	9/15/37	200	278
Duke Energy Progress LLC	6.300%	4/1/38	365	503
Duke Energy Progress LLC	4.200%	8/15/45	1,920	2,108
Entergy Louisiana LLC	3.120%	9/1/27	410	409
Eversource Energy	4.500%	11/15/19	90	93
Eversource Energy	2.900%	10/1/24	690	684
Eversource Energy	3.150%	1/15/25	110	111
Florida Power & Light Co.	5.650%	2/1/35	1,000	1,249
Florida Power & Light Co.	4.950%	6/1/35	1,000	1,186
Florida Power & Light Co.	5.950%	2/1/38	785	1,053
Florida Power & Light Co.	5.690%	3/1/40	675	895
Florida Power & Light Co.	3.700%	12/1/47	480	500
Fortis Inc.	3.055%	10/4/26	1,195	1,153
Georgia Power Co.	5.400%	6/1/18	1,165	1,181
Georgia Power Co.	5.950%	2/1/39	218	277
Georgia Power Co.	5.400%	6/1/40	1,163	1,398
Georgia Power Co.	4.750%	9/1/40	168	186
Georgia Power Co.	4.300%	3/15/42	565	606
[3] Massachusetts Electric Co.	5.900%	11/15/39	585	759
MidAmerican Energy Co.	4.250%	5/1/46	45	50
National Rural Utilities Cooperative Finance Corp.	5.450%	2/1/18	1,500	1,504
National Rural Utilities Cooperative Finance Corp.	2.950%	2/7/24	415	417
National Rural Utilities Cooperative Finance Corp.	2.850%	1/27/25	1,040	1,033
NextEra Energy Capital Holdings Inc.	3.550%	5/1/27	880	896
Northern States Power Co.	6.250%	6/1/36	2,000	2,714
Oglethorpe Power Corp.	5.950%	11/1/39	170	215
Oglethorpe Power Corp.	4.550%	6/1/44	50	52
Oglethorpe Power Corp.	4.250%	4/1/46	537	537
Oglethorpe Power Corp.	5.250%	9/1/50	330	378
Oncor Electric Delivery Co. LLC	4.550%	12/1/41	75	86
Pacific Gas & Electric Co.	4.250%	5/15/21	300	315
Pacific Gas & Electric Co.	3.850%	11/15/23	450	467
Pacific Gas & Electric Co.	3.750%	2/15/24	305	316
Pacific Gas & Electric Co.	6.050%	3/1/34	385	482
Pacific Gas & Electric Co.	5.800%	3/1/37	1,316	1,646
Pacific Gas & Electric Co.	6.350%	2/15/38	80	106
Pacific Gas & Electric Co.	6.250%	3/1/39	80	106
Pacific Gas & Electric Co.	5.400%	1/15/40	1,900	2,295
Pacific Gas & Electric Co.	5.125%	11/15/43	480	563
Pacific Gas & Electric Co.	4.750%	2/15/44	70	78
Pacific Gas & Electric Co.	4.300%	3/15/45	64	67
[3] Pacific Gas & Electric Co.	3.950%	12/1/47	100	99
PacifiCorp	6.250%	10/15/37	2,000	2,737
PECO Energy Co.	5.350%	3/1/18	565	568
Potomac Electric Power Co.	6.500%	11/15/37	750	1,043
Public Service Electric & Gas Co.	5.300%	5/1/18	1,900	1,914
San Diego Gas & Electric Co.	6.000%	6/1/26	600	719
Sierra Pacific Power Co.	3.375%	8/15/23	850	870
Sierra Pacific Power Co.	2.600%	5/1/26	221	213
South Carolina Electric & Gas Co.	5.300%	5/15/33	20	23
South Carolina Electric & Gas Co.	6.050%	1/15/38	1,260	1,567
South Carolina Electric & Gas Co.	5.450%	2/1/41	45	53
South Carolina Electric & Gas Co.	4.350%	2/1/42	181	190
South Carolina Electric & Gas Co.	4.600%	6/15/43	202	219
South Carolina Electric & Gas Co.	4.100%	6/15/46	425	433
South Carolina Electric & Gas Co.	4.500%	6/1/64	73	76
South Carolina Electric & Gas Co.	5.100%	6/1/65	715	815
Southern California Edison Co.	2.400%	2/1/22	170	168
Southern California Edison Co.	6.000%	1/15/34	1,000	1,286
Southern California Edison Co.	5.550%	1/15/37	2,250	2,832
Southern California Edison Co.	4.050%	3/15/42	432	464
Southern California Edison Co.	3.900%	3/15/43	225	237
Southern California Edison Co.	4.650%	10/1/43	365	427
Southern California Edison Co.	3.600%	2/1/45	141	142
Southern Co.	2.450%	9/1/18	225	226
Southern Co.	2.950%	7/1/23	1,280	1,273
Southwestern Public Service Co.	3.700%	8/15/47	102	104
Virginia Electric & Power Co.	2.750%	3/15/23	690	689
Virginia Electric & Power Co.	3.500%	3/15/27	435	449
Wisconsin Electric Power Co.	5.700%	12/1/36	690	880
Natural Gas (0.2%)				
[3] Boston Gas Co.	3.150%	8/1/27	140	138
CenterPoint Energy Resources Corp.	4.500%	1/15/21	105	110
[3] KeySpan Gas East Corp.	2.742%	8/15/26	670	650
Nisource Finance Corp.	5.250%	2/15/43	390	470
NiSource Finance Corp.	4.800%	2/15/44	1,355	1,538
Sempra Energy	2.875%	10/1/22	750	745
Sempra Energy	3.250%	6/15/27	1,095	1,085
Southern California Gas Co.	2.600%	6/15/26	820	796
Other Utility (0.0%)				
American Water Capital Corp.	2.950%	9/1/27	540	534
[3] Infraestructura Energetica Nova SAB de CV	4.875%	1/14/48	455	438
				75,189
Total Corporate Bonds (Cost $586,739)				**613,545**

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Sovereign Bonds (2.2%)				
[3] CDP Financial Inc.	4.400%	11/25/19	1,000	1,040
[3] Electricite de France SA	4.600%	1/27/20	1,200	1,252
[3] Electricite de France SA	4.875%	1/22/44	50	55
[3] Electricite de France SA	4.950%	10/13/45	400	454
[5] European Investment Bank	1.375%	1/15/18	1,350	1,824
Export-Import Bank of Korea	1.750%	5/26/19	2,000	1,978
International Bank for Reconstruction & Development	4.750%	2/15/35	2,000	2,570
[6] Japan Bank for International Cooperation	2.250%	2/24/20	1,190	1,187
[6] Japan Bank for International Cooperation	2.125%	6/1/20	882	877
[6] Japan Bank for International Cooperation	2.125%	7/21/20	1,100	1,092
[7] Japan Treasury Discount Bill	0.000%	1/10/18	350,000	3,106
[7] Japan Treasury Discount Bill	0.000%	1/15/18	366,000	3,248
[7] Japan Treasury Discount Bill	0.000%	1/22/18	250,000	2,219
[7] Japan Treasury Discount Bill	0.000%	2/19/18	255,000	2,263
[7] Japan Treasury Discount Bill	0.000%	3/12/18	20,350	181
[7] Japan Treasury Discount Bill	0.000%	3/12/18	205,000	1,820
[7] Japan Treasury Discount Bill	0.000%	3/19/18	59,650	530
[7] Japan Treasury Discount Bill	0.000%	3/26/18	522,000	4,635
[8] Kingdom of Belgium Treasury Bill	0.000%	1/11/18	2,406	2,887
[3] Kingdom of Saudi Arabia	2.375%	10/26/21	850	829
[3] Kingdom of Saudi Arabia	2.875%	3/4/23	1,340	1,318
Korea Development Bank	2.875%	8/22/18	255	256
Korea Development Bank	2.500%	3/11/20	2,000	1,983
[3] Mexico City Airport Trust	5.500%	7/31/47	1,065	1,054
Petroleos Mexicanos	5.500%	2/4/19	330	340
Province of Ontario	2.500%	4/27/26	2,150	2,106
Province of Quebec	2.500%	4/20/26	3,820	3,748
[3] Sinopec Group Overseas Development 2015 Ltd.	2.500%	4/28/20	1,615	1,605
[3] Sinopec Group Overseas Development 2015 Ltd.	3.250%	4/28/25	1,615	1,598
[3] Sinopec Group Overseas Development 2017 Ltd.	3.000%	4/12/22	850	849
[3] State Grid Overseas Investment 2014 Ltd.	2.750%	5/7/19	1,305	1,308
[3] State Grid Overseas Investment 2016 Ltd.	2.750%	5/4/22	1,550	1,535
[3] State Grid Overseas Investment 2016 Ltd.	3.500%	5/4/27	775	778
[3] State of Qatar	5.250%	1/20/20	1,665	1,748
[3] State of Qatar	2.375%	6/2/21	1,590	1,560
Statoil ASA	2.250%	11/8/19	580	580
Statoil ASA	2.900%	11/8/20	1,410	1,430
Statoil ASA	2.750%	11/10/21	850	859
Statoil ASA	2.450%	1/17/23	382	379
Statoil ASA	2.650%	1/15/24	360	358
Statoil ASA	3.700%	3/1/24	640	672
Statoil ASA	3.250%	11/10/24	795	816
[3] Temasek Financial I Ltd.	2.375%	1/23/23	1,130	1,116
[5] United Kingdom Treasury Bill	0.000%	1/15/18	1,400	1,891
United Mexican States	4.000%	10/2/23	342	358
United Mexican States	4.750%	3/8/44	170	172
Total Sovereign Bonds (Cost $63,734)				**64,464**
Taxable Municipal Bonds (1.7%)				
Atlanta GA Downtown Development Authority Revenue	6.875%	2/1/21	245	263
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	6.263%	4/1/49	685	1,012
Bay Area Toll Authority California Toll Bridge Revenue (San Francisco Bay Area)	7.043%	4/1/50	1,025	1,619
California GO	5.700%	11/1/21	265	296
California GO	7.500%	4/1/34	155	230
California GO	7.550%	4/1/39	1,170	1,841
California GO	7.300%	10/1/39	300	448
California GO	7.350%	11/1/39	2,000	3,001
California GO	7.625%	3/1/40	160	250
California GO	7.600%	11/1/40	850	1,357
Chicago IL Metropolitan Water Reclamation District GO	5.720%	12/1/38	215	280
Chicago IL O'Hare International Airport Revenue	6.845%	1/1/38	530	574
Chicago IL O'Hare International Airport Revenue	6.395%	1/1/40	425	593
Chicago IL Transit Authority Sales Tax Receipts Revenue	6.200%	12/1/40	50	65
Chicago IL Transit Authority Transfer Tax Receipts Revenue	6.899%	12/1/40	695	942
Chicago IL Transit Authority Transfer Tax Receipts Revenue	6.899%	12/1/40	1,560	2,115
Dallas TX Area Rapid Transit Revenue	5.999%	12/1/44	750	1,035
Georgia Municipal Electric Power Authority Revenue	6.637%	4/1/57	1,406	1,802
Grand Parkway Transportation Corp. Texas System Toll Revenue	5.184%	10/1/42	1,015	1,242
Houston TX GO	6.290%	3/1/32	560	661
Illinois Finance Authority	4.545%	10/1/18	810	821
Illinois GO	5.100%	6/1/33	1,235	1,233
Illinois Toll Highway Authority Revenue	6.184%	1/1/34	750	973
[9] Kansas Development Finance Authority Revenue (Public Employees Retirement System)	5.501%	5/1/34	2,000	2,348
Los Angeles CA Community College District GO	6.750%	8/1/49	405	629
Los Angeles CA Unified School District GO	5.750%	7/1/34	1,400	1,785
Maryland Transportation Authority Facilities Projects Revenue	5.888%	7/1/43	545	727
Massachusetts School Building Authority Dedicated Sales Tax Revenue	5.715%	8/15/39	1,000	1,273
New Jersey Turnpike Authority Revenue	7.414%	1/1/40	410	633
New Jersey Turnpike Authority Revenue	7.102%	1/1/41	600	896
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.790%	6/15/41	115	124
New York City NY Municipal Water Finance Authority Water & Sewer System Revenue	5.882%	6/15/44	80	111
New York Metropolitan Transportation Authority Revenue	6.814%	11/15/40	150	214
New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	7.336%	11/15/39	325	503
New York Metropolitan Transportation Authority Revenue (Dedicated Tax Fund)	6.089%	11/15/40	445	595
New York State Urban Development Corp. Revenue	2.100%	3/15/22	3,710	3,694
North Texas Tollway Authority System Revenue	6.718%	1/1/49	1,555	2,366
Oregon Department of Transportation Highway User Tax Revenue	5.834%	11/15/34	655	844
Oregon GO	5.902%	8/1/38	490	622
[9] Oregon School Boards Association GO	5.528%	6/30/28	2,000	2,308
Port Authority of New York & New Jersey Revenue	5.859%	12/1/24	325	387

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Port Authority of New York & New Jersey Revenue	6.040%	12/1/29	265	338
Port Authority of New York & New Jersey Revenue	4.458%	10/1/62	1,175	1,357
Port Authority of New York & New Jersey Revenue	4.810%	10/15/65	640	780
Regents of the University of California Revenue	3.063%	7/1/25	1,280	1,294
San Antonio TX Electric & Gas Systems Revenue	5.985%	2/1/39	305	411
University of California Regents Medical Center Revenue	6.548%	5/15/48	295	418
University of California Regents Medical Center Revenue	6.583%	5/15/49	765	1,076
University of California Revenue	4.601%	5/15/31	590	656
University of California Revenue	5.770%	5/15/43	1,010	1,321
University of California Revenue	4.765%	5/15/44	145	157
University of California Revenue	3.931%	5/15/45	570	592
Total Taxable Municipal Bonds (Cost $43,959)				**51,112**

			Shares	
Temporary Cash Investments (4.5%)				
Money Market Fund (0.0%)				
[10,11] Vanguard Market Liquidity Fund	1.458%		30	3

			Face Amount ($000)	
Repurchase Agreement (2.7%)				
RBS Securities, Inc. (Dated 12/29/17, Repurchase Value $79,012,000, collateralized by U.S. Treasury Note/Bond, 0.625%, 4/30/18, with a value of $80,582,000)	1.350%	1/2/18	79,000	79,000
U.S. Government and Agency Obligations (0.2%)				
[12] Federal Home Loan Bank Discount Notes	1.262%	1/26/18	5,300	5,296
Commercial Paper (1.6%)				
Abbey National North	1.312%	1/8/18	4,000	3,999
[13] Apple Inc.	1.493%	2/7/18	5,000	4,994
Bank of Tokyo-Mitsubishi UFJ Ltd. (New York Branch)	1.382%	1/12/18	5,000	4,998
[13] Chevron Corp.	1.252%	1/10/18	5,000	4,998
[13] DNB Bank ASA	1.292%	1/8/18	5,000	4,999
Exxon Mobil Corp.	1.401%	1/8/18	5,000	4,999
[13] John Deere Bank SA	1.392%–1.402%	1/18/18	5,000	4,997
[13] KFW	1.292%	1/16/18	4,000	3,998
[13] MetLife Short Term Funding LLC	1.302%	1/9/18	4,000	3,999
[13] Toronto Dominion Bank	1.287%	1/2/18	5,000	5,000
				46,981
Total Temporary Cash Investments (Cost $131,277)				**131,280**
Total Investments (99.9%) (Cost $2,340,306)				**2,940,601**

	Amount ($000)
Other Assets and Liabilities (0.1%)	
Other Assets	
Investment in Vanguard	159
Receivables for Investment Securities Sold	618
Receivables for Accrued Income	10,022
Receivables for Capital Shares Issued	568
Unrealized Appreciation—Forward Currency Contracts	36
Other Assets[11,14]	2,223
Total Other Assets	**13,626**
Liabilities	
Payables for Investment Securities Purchased	(3,964)
Collateral for Securities on Loan	(582)
Payable to Investment Advisor	(365)
Payables for Capital Shares Redeemed	(3,828)
Payables to Vanguard	(2,960)
Variation Margin Payable—Futures Contracts	(51)
Unrealized Depreciation—Forward Currency Contracts	(93)
Other Liabilities	(16)
Total Liabilities	**(11,859)**
Net Assets (100%)	
Applicable to 118,633,365 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**2,942,368**
Net Asset Value Per Share	**$24.80**

At December 31, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	2,133,605
Undistributed Net Investment Income	64,880
Accumulated Net Realized Gains	143,532
Unrealized Appreciation (Depreciation)	
Investment Securities	600,295
Futures Contracts	92
Forward Currency Contracts	(57)
Foreign Currencies	21
Net Assets	**2,942,368**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $558,000.

1 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.

2 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

3 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2017, the aggregate value of these securities was $143,205,000, representing 4.9% of net assets.

4 Adjustable-rate security based upon 3-month USD LIBOR plus spread.

5 Face amount denominated in British pounds.

6 Guaranteed by the Government of Japan.

7 Face amount denominated in Japanese yen.

8 Face amount denominated in euro.

9 Scheduled principal and interest payments are guaranteed by AGM (Assured Guaranty Municipal Corporation).

10 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

11 Includes $582,000 of collateral received for securities on loan, of which $3,000 is held in Vanguard Market Liquidity Fund and $579,000 is held in cash.

12 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

13 Security exempt from registration under Section 4(2) of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration only to dealers in that program or other "accredited investors." At December 31, 2017, the aggregate value of these securities was $32,985,000, representing 1.1% of net assets.

14 Cash of $359,000 has been segregated as initial margin for open futures contracts.

ADR—American Depositary Receipt.

GO—General Obligation Bond.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount ($000)	Value and Unrealized Appreciation (Depreciation) ($000)
Short Futures Contracts				
2-Year U.S. Treasury Note	March 2018	(61)	(13,061)	31
10-Year U.S. Treasury Note	March 2018	(81)	(10,048)	70
Ultra Long U.S. Treasury Bond	March 2018	(58)	(9,724)	(46)
5-Year U.S. Treasury Note	March 2018	(58)	(6,738)	37
				92

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000) Receive		Contract Amount (000) Deliver		Unrealized Appreciation (Depreciation) ($000)
Goldman Sachs International	3/12/18	JPY	20,350	USD	180	1
Goldman Sachs International	3/26/18	USD	4,638	JPY	522,000	(16)
Citibank, N.A.	1/10/18	USD	3,111	JPY	350,000	3
Bank of America, N.A.	2/20/18	USD	2,259	JPY	255,000	(9)
Goldman Sachs International	1/22/18	USD	2,237	JPY	250,000	15
Citibank, N.A.	1/16/18	USD	2,122	JPY	238,000	8
Credit Suisse International	3/12/18	USD	1,835	JPY	205,000	9
Citibank, N.A.	1/16/18	USD	1,130	JPY	128,000	(7)
UBS AG	3/19/18	USD	531	JPY	59,650	(1)
Goldman Sachs International	3/12/18	USD	181	JPY	20,350	—
UBS AG	3/12/18	USD	182	JPY	20,350	—
J.P. Morgan Securities LLC	1/16/18	USD	1,881	GBP	1,400	(10)
Citibank, N.A.	1/16/18	USD	1,820	GBP	1,350	(4)
Barclays Bank plc	1/11/18	USD	1,538	EUR	1,301	(24)
UBS AG	1/11/18	USD	826	EUR	699	(13)
Goldman Sachs International	1/11/18	USD	478	EUR	406	(9)
						(57)

EUR—Euro.
GBP—British pound.
JPY—Japanese yen.
USD—U.S. dollar.

Unrealized appreciation (depreciation) on open forward currency contracts is treated as realized gain (loss) for tax purposes.

Statement of Operations

	Year Ended December 31, 2017 ($000)
Investment Income	
Income	
Dividends[1]	45,227
Interest	28,320
Securities Lending—Net	239
Total Income	73,786
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	1,437
Performance Adjustment	(82)
The Vanguard Group—Note C	
Management and Administrative	4,321
Marketing and Distribution	370
Custodian Fees	76
Auditing Fees	34
Shareholders' Reports and Proxy	73
Trustees' Fees and Expenses	4
Total Expenses	6,233
Net Investment Income	**67,553**
Realized Net Gain (Loss)	
Investment Securities Sold	145,898
Futures Contracts	(554)
Foreign Currencies and Forward Currency Contracts	16
Realized Net Gain (Loss)	**145,360**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	163,200
Futures Contracts	75
Foreign Currencies and Forward Currency Contracts	(526)
Change in Unrealized Appreciation (Depreciation)	**162,749**
Net Increase (Decrease) in Net Assets Resulting from Operations	**375,662**

1 Dividends are net of foreign withholding taxes of $912,000.

Statement of Changes in Net Assets

	Year Ended December 31, 2017 ($000)	Year Ended December 31, 2016 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	67,553	63,603
Realized Net Gain (Loss)	145,360	98,112
Change in Unrealized Appreciation (Depreciation)	162,749	90,108
Net Increase (Decrease) in Net Assets Resulting from Operations	375,662	251,823
Distributions		
Net Investment Income	(62,751)	(59,178)
Realized Capital Gain[1]	(98,841)	(103,561)
Total Distributions	(161,592)	(162,739)
Capital Share Transactions		
Issued	292,273	224,117
Issued in Lieu of Cash Distributions	161,592	162,739
Redeemed	(279,856)	(233,312)
Net Increase (Decrease) from Capital Share Transactions	174,009	153,544
Total Increase (Decrease)	388,079	242,628
Net Assets		
Beginning of Period	**2,554,289**	**2,311,661**
End of Period[2]	**2,942,368**	**2,554,289**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $8,278,000 and $1,336,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $64,880,000 and $59,640,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	**$23.03**	**$22.32**	**$23.99**	**$23.66**	**$20.70**
Investment Operations					
Net Investment Income	.582[1]	.581	.576	.569	.540
Net Realized and Unrealized Gain (Loss) on Investments	2.648	1.713	(.548)	1.613	3.450
Total from Investment Operations	3.230	2.294	.028	2.182	3.990
Distributions					
Dividends from Net Investment Income	(.567)	(.576)	(.570)	(.555)	(.550)
Distributions from Realized Capital Gains	(.893)	(1.008)	(1.128)	(1.297)	(.480)
Total Distributions	(1.460)	(1.584)	(1.698)	(1.852)	(1.030)
Net Asset Value, End of Period	**$24.80**	**$23.03**	**$22.32**	**$23.99**	**$23.66**
Total Return	**14.72%**	**11.01%**	**0.09%**	**9.84%**	**19.88%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$2,942	$2,554	$2,312	$2,334	$2,089
Ratio of Total Expenses to Average Net Assets[2]	0.23%	0.23%	0.23%	0.25%	0.27%
Ratio of Net Investment Income to Average Net Assets	2.49%	2.66%	2.53%	2.50%	2.52%
Portfolio Turnover Rate[3]	28%	33%	45%	70%	31%

1 Calculated based on average shares outstanding.

2 Includes performance-based investment advisory fee increases (decreases) of (0.00)%, (0.01)%, 0.00%, 0.00%, and 0.00%.

3 Includes 0%, 0%, 14%, 15%, and 19% attributable to mortgage-dollar-roll activity.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Balanced Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Bonds and temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Futures Contracts: The portfolio uses futures contracts to invest in fixed income asset classes with greater efficiency and lower cost than is possible through direct investment, to add value when these instruments are attractively priced, or to adjust sensitivity to changes in interest rates. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of bonds held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The 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 year ended December 31, 2017, the portfolio's average investments in long and short futures contracts represented less than 1% and 1% of net assets, respectively, based on the average of 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 year ended December 31, 2017, 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. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The portfolio may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the portfolio is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The portfolio mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The portfolio may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. Under an MSFTA, upon a counterparty default (including bankruptcy), the portfolio may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements.

6. Mortgage Dollar Rolls: The portfolio enters into mortgage-dollar-roll transactions, in which the portfolio sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The portfolio forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The portfolio has also entered into mortgage-dollar-roll transactions in which the portfolio buys mortgage-backed securities from a dealer pursuant to a TBA transaction and simultaneously agrees to sell similar securities in the future at a predetermined price. The securities bought in mortgage-dollar-roll transactions are used to cover an open TBA sell position. The portfolio continues to earn interest on mortgage-backed security pools already held and receives a lower price on the securities to be sold in the future. The portfolio accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these transactions may increase the portfolio's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Net Assets.

7. Repurchase Agreements: The portfolio enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the portfolio under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral

cannot be repledged, resold, or rehypothecated. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The portfolio further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

8. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2014–2017), and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

9. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

10. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

11. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at December 31, 2017, or at any time during the period then ended.

12. Other: Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. The basic fee is subject to quarterly adjustments based on the portfolio's performance relative to the combined index comprising the S&P 500 Index and the Bloomberg Barclays U.S. Credit A or Better Bond Index for the preceding three years. For the year ended December 31, 2017, the investment advisory fee represented an effective annual basic rate of 0.05% of the portfolio's average net assets before a decrease of $82,000 (0.00%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, distribution, and cash management services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2017, the portfolio had contributed to Vanguard capital in the amount of $159,000, representing 0.01% of the portfolio's net assets and 0.06% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

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 December 31, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,673,148	220,534	—
U.S. Government and Agency Obligations	—	155,859	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	30,659	—
Corporate Bonds	—	613,545	—
Sovereign Bonds	—	64,464	—
Taxable Municipal Bonds	—	51,112	—
Temporary Cash Investments	3	131,277	—
Futures Contracts—Liabilities[1]	(51)	—	—
Forward Currency Contracts—Assets	—	36	—
Forward Currency Contracts—Liabilities	—	(93)	—
Total	1,673,100	1,267,393	—

1 Represents variation margin on the last day of the reporting period.

E. At December 31, 2017, the fair values of derivatives were reflected in the Statement of Net Assets as follows:

Statement of Net Assets Caption	Currency Contracts ($000)	Interest Rate Contracts ($000)	Total ($000)
Unrealized Appreciation—Forward Currency Contracts	36	—	36
Variation Margin Payable—Futures Contracts	—	(51)	(51)
Unrealized Depreciation—Forward Currency Contracts	(93)	—	(93)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the year ended December 31, 2017, were:

Realized Net Gain (Loss) on Derivatives	Currency Contracts ($000)	Interest Rate Contracts ($000)	Total ($000)
Futures Contracts	—	(554)	(554)
Forward Currency Contracts	(157)	—	(157)
Realized Net Gain (Loss) on Derivatives	(157)	(554)	(711)
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Futures Contracts	—	75	75
Forward Currency Contracts	(569)	—	(569)
Change in Unrealized Appreciation (Depreciation) on Derivatives	(569)	75	(494)

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For tax purposes, at December 31, 2017, the portfolio had $81,016,000 of ordinary income and $130,703,000 of long-term capital gains available for distribution.

At December 31, 2017, the cost of investment securities for tax purposes was $2,340,862,000. Net unrealized appreciation of investment securities for tax purposes was $599,739,000, consisting of unrealized gains of $615,381,000 on securities that had risen in value since their purchase and $15,642,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the year ended December 31, 2017, the portfolio purchased $564,352,000 of investment securities and sold $567,356,000 of investment securities, other than U.S. government securities and temporary cash investments. Purchases and sales of U.S. government securities were $173,307,000 and $166,952,000, respectively.

H. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2017 Shares (000)	2016 Shares (000)
Issued	12,418	10,171
Issued in Lieu of Cash Distributions	7,227	7,798
Redeemed	(11,942)	(10,616)
Net Increase (Decrease) in Shares Outstanding	7,703	7,353

At December 31, 2017, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 82% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to December 31, 2017, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of Balanced Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Balanced Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2018

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

Special 2017 tax information (unaudited) for corporate shareholders only for Vanguard Balanced Portfolio, a portfolio of Vanguard Variable Insurance Funds

This information for the fiscal year ended December 31, 2017, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The portfolio distributed $90,563,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

For corporate shareholders, 40.7% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

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 December 31, 2017

Balanced Portfolio	Beginning Account Value 6/30/2017	Ending Account Value 12/31/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,080.60	$1.21
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.05	1.17

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratios for that period is 0.23%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

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The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 201 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Chief Executive Officer and Director of The Vanguard Group and President and Chief Executive Officer of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; President of The Vanguard Group (2008–2017); Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College; Trustee of the University of Rochester.

Rajiv L. Gupta

Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Arconic Inc. (diversified manufacturer), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center.

JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the Executive Committee (1997–2008), Chief Global Diversity Officer (retired 2008), Vice President and Chief Information Officer (1997–2006), Controller (1995–1997), Treasurer (1991–1995), and Assistant Treasurer (1989–1991) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; Director of the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and Chair of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Member of the Council on Chicago Booth.

Scott C. Malpass

Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, the Board of Catholic Investment Services, Inc. (investment advisor), and the Board of Superintendence of the Institute for the Works of Religion; Chairman of the Board of TIFF Advisory Services, Inc. (investment advisor).

André F. Perold

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Co-Managing Partner of HighVista Strategies LLC (private investment firm); Overseer of the Museum of Fine Arts Boston.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem
Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

Christine M. Buchanan
Born 1970. Treasurer Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Global Head of Vanguard Fund Administration at The Vanguard Group; Partner at KPMG LLP (2005–2017).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Anne E. Robinson
Born 1970. Secretary Since September 2016. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

Michael Rollings
Born 1963. Finance Director Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Director of Vanguard Marketing Corporation; Treasurer of each of the investment companies served by The Vanguard Group (February 2017–November 2017); Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

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All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Performance Summary Fourth Quarter 2017

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

	Nonstandardized[1] Total Returns		Standardized[1] Total Returns for Periods Ended 12/31/2017				Annualized Current Yield* for Period Ended 12/31/2017
Portfolio/Subaccount (Inception Date)	**Fourth Quarter 2017**	**YTD 2017**	**1 Year**	**5 Years**	**10 Years**	**Since Inception**	
Money Market** (5/2/1991)	**0.23%**	**0.72%**	**0.71%**	**0.07%**	**0.28%**	**2.45%**	**1.05%**
Citigroup 3-Month U.S. Treasury Bill Index	0.28	0.84	0.84	0.23	0.34	2.62	
Short-Term Investment-Grade (2/8/1999)	**–0.17**	**1.80**	**1.79**	**1.45**	**2.69**	**3.53**	
Bloomberg Barclays U.S. 1–5 Year Credit Index	–0.13	2.32	2.32	1.83	3.49	4.44	
Total Bond Market Index (4/29/1991)	**0.27**	**3.18**	**3.18**	**1.64**	**3.57**	**5.20**	
Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index[2]	0.41	3.63	3.63	2.10	4.03	5.87	
High Yield Bond (6/3/1996)[3]	**–0.07**	**6.70**	**6.69**	**4.71**	**6.30**	**5.86**	
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.47	7.50	7.50	5.78	8.03	7.20	
Conservative Allocation (10/19/2011)[4]	**2.55**	**10.57**	**10.56**	**—**	**—**	**6.83**	
Conservative Allocation Composite Index	2.73	10.95	10.95	6.74	—	7.30	
Moderate Allocation (10/19/2011)[4]	**3.56**	**14.47**	**14.47**	**8.38**	**—**	**8.99**	
Moderate Allocation Composite Index	3.83	14.88	14.88	8.90	—	9.48	
Balanced (5/23/1991)[4]	**4.43**	**14.39**	**14.39**	**10.59**	**7.23**	**9.20**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Balanced Composite Index	4.61	15.76	15.76	11.24	7.46	8.84	
Total Stock Market Index (5/1/2003)	**6.20**	**20.62**	**20.62**	**15.05**	**8.17**	**9.82**	
Spliced Total Market Index***	6.33	21.16	21.16	15.52	8.58	10.22	
Equity Index (4/29/1991)	**6.53**	**21.31**	**21.30**	**15.29**	**8.06**	**9.34**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Large-Cap Core Funds Average	5.93	20.32	20.32	14.22	7.12	8.55	
Equity Income (6/7/1993)	**6.31**	**17.91**	**17.91**	**14.40**	**8.37**	**9.62**	
Spliced Equity Income Index****	6.31	16.51	16.51	15.16	8.70	10.53	
Diversified Value (2/8/1999)	**5.37**	**12.83**	**12.83**	**11.79**	**6.32**	**6.95**	
Russell 1000 Value Index	5.33	13.66	13.66	14.04	7.10	7.07	
Growth (6/7/1993)	**6.07**	**30.54**	**30.54**	**16.23**	**8.72**	**7.15**	
Russell 1000 Growth Index	7.86	30.21	30.21	17.33	10.00	9.37	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.69	
Capital Growth (5/1/2003)	**6.93**	**28.46**	**28.46**	**18.82**	**10.93**	**12.53**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.81	
Mid-Cap Index (2/9/1999)[5]	**5.53**	**18.74**	**18.73**	**14.52**	**8.47**	**10.02**	
Spliced Mid Cap Index*****	5.65	19.30	19.30	15.06	8.96	10.41	
Small Company Growth (6/3/1996)[5]	**5.14**	**23.11**	**23.11**	**15.55**	**10.12**	**10.65**	
Russell 2500 Growth Index	6.35	24.46	24.46	15.47	9.62	8.06	
Variable Insurance Small-Cap Growth Funds Average	5.18	23.89	23.89	14.37	8.37	7.20	
REIT Index (2/9/1999)[6]	**1.24**	**4.47**	**4.47**	**8.77**	**7.10**	**10.09**	
REIT Spliced Index†	1.41	5.07	5.07	9.34	7.63	10.65	
International (6/3/1994)[7]	**3.88**	**42.26**	**42.26**	**10.48**	**4.36**	**7.32**	
Spliced International Index††	5.00	27.19	27.19	6.80	1.23	4.89	
Total International Stock Market Index (9/7/2017)	**4.83**	**—**	**—**	**—**	**—**	**5.66**	
FTSE Global All Cap ex US Index	—	—	—	—	—	0.93	
Global Bond Index (9/7/2017)	**0.53**	**—**	**—**	**—**	**—**	**–0.24**	
Global Bond Composite Index	—	—	—	—	—	–0.79	

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*Seven-day yield for the Money Market Portfolio; the annualized yield reflects the current earnings of the portfolio more closely than the total returns shown.

The Fund is only available to retail investors (natural persons). 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. The Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. 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.

***Spliced Total Market Index: Dow Jones Wilshire 5000 Index through June 17, 2005; S&P Total Market Index thereafter.

****Spliced Equity Income Index: Russell 1000 Value Index through July 31, 2007; FTSE High Dividend Yield Index thereafter.

*****Spliced Mid Cap Index: S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

† MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

†† The portfolio adopted the MSCI All Country World Index ex USA on June 1, 2010, as its target index, replacing the MSCI EAFE Index. The Spliced International Index reflects performance of the MSCI EAFE Index through May 31, 2010, and performance of the MSCI All Country World Index ex USA thereafter.

[1]The "nonstandardized" quarter and year-to-date returns are unadjusted. The "standardized" one-, five-, and ten-year period returns are adjusted for the $25 annual fee charged on contracts valued at less than $25,000. With respect to contracts issued in New York State, performance figures shown are based on the actual performance of Vanguard Variable Insurance Fund as if the contracts were being offered in New York prior to their first New York offering date in November 1992. Distributions taken prior to age 59½ may be subject to a 10% federal penalty tax.

[2]Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

[3]Because high-yield bonds are considered speculative, investors should be prepared to assume a substantially greater level of risk than with other types of bonds.

[4]These investments are eligible for the Guaranteed Lifetime Withdrawal Benefit.

[5]A portfolio that concentrates its investments in small- and mid-capitalization stocks may be more volatile than a portfolio that invests in large-capitalization stocks.

[6]A portfolio that concentrates its investments in one economic sector or geographic region faces the risk of higher share-price volatility.

[7]Foreign stock prices are subject to the same influences as domestic stocks, but international investing can involve additional risks and expenses that can increase the potential for losses in the portfolio (for example, changes in currency rates, higher transaction costs, less stable economies and political structures, and differences in auditing and other financial standards).

Average portfolio performance is based on data provided by Lipper, a Thomson Reuters Company.

The returns presented in the table on the reverse take into account the reinvestment of all dividends and capital gains, reduced by a daily mortality and expense risk charge. The daily mortality and expense risk charge corresponds to an annual fee of 0.19% and an administrative charge that corresponds to an annual fee of 0.10%.

Variable annuities are long-term, tax-deferred investment vehicles that are designed for retirement investing. They offer investment options through subaccounts and insurance features such as annuitization and death benefit options.

Only the subaccounts bolded in the table on the reverse are available through the Vanguard Variable Annuity.

Please reference the Vanguard Variable Insurance Fund prospectus for more information regarding risk.

The Vanguard Variable Annuity is a flexible-premium variable annuity issued by Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (NAIC No. 66281), and in New York State only, by Transamerica Financial Life Insurance Company, Harrison, New York (NAIC No. 70688). Form No. VVAP U 1101 (in Florida, Form No. VVAP U 1101 (FL), in Oregon, Form No. VVAP U 1101 (OR) (R), and in New York, VVA NY 0208(R13)). GLWB Rider Form No. RGMB 43 0811 (in Florida, RGMB 43 0811 (SI)(FL), RGMB 43 0811 (JT)(FL), in Oregon, RGMB 43 0811 (SI)(OR), RGMB 43 0811 (JT)(OR), and in New York, RGMB 43 0811 (SI)(NY) (REV), RGMB 43 0811 (JT)(NY) (REV)), without agent representation. Policy and rider form numbers may vary by state and may not be available in all states. The Vanguard Group administers the Vanguard Variable Annuity for the issuer. Its variable annuity and investment costs rank among the lowest in the industry, according to Morningstar, Inc., December 2016. The Vanguard Group, Transamerica Premier Life Insurance Company, and Transamerica Financial Life Insurance Company do not provide tax advice. Investors are encouraged to consult a tax advisor for information on how annuity taxation applies to their individual situations.

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For more information about the Vanguard Variable Annuity, visit vanguard.com or call 800-522-5555 to obtain fund and variable annuity contract prospectuses. Investment objectives, risks, charges, expenses, and other important information about the product are contained in the prospectus; read and consider it carefully before investing.

Vanguard®

Annual Report | December 31, 2017

Vanguard Variable Insurance Fund

Equity Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

A Message from Vanguard's Chairman

Dear Planholder,

Lately I've been asked a lot about my legacy. And candidly, that phrase bugs me—it isn't my legacy. Vanguard's success is a result of thousands of my colleagues committing to a clear mission: helping investors achieve their financial goals.

The reason the topic has come up is that on December 31, 2017, I officially stepped down as Vanguard's CEO after almost a decade in that role. I'll remain chairman for a period to be determined by the board of directors. Tim Buckley, who was previously Vanguard's president and chief investment officer, was elected CEO. I can't think of a better successor.

I've spent 32 years at Vanguard—almost my entire professional life—and during that time I've had the good fortune of working with smart, principled colleagues from across the world. I've learned from each of them.

In particular, I would like to thank Jack Bogle, our founder, who took a chance on me when I was a young business school graduate, and Jack Brennan, my predecessor as CEO, who constantly challenged me with new roles and responsibilities.

When you're just starting out, there is nothing quite like getting votes of confidence from people you respect.

The short list

A milestone like this naturally brings about some reflection. With that in mind, here's a tally—by no means exhaustive—of the accomplishments that *we* at Vanguard are proud of:

Low costs. Over the last decade, we cut our average asset-weighted expense ratio by about 50%.[1] This isn't a result of some contrived price war. Since its founding, Vanguard has emphasized the benefits of low-cost investing. As Jack Bogle once said: "The honest steward who charges least, wins most. But not for himself; for those investors who entrust their assets to his care. It is not all that complicated."

Global diversification. Through our thought leadership and investment options, such as our target-date funds, Vanguard has encouraged clients to obtain exposure to international markets.

Global diversification isn't just about helping to control risk—it can also be a way of expanding your set of opportunities and harnessing the potential of all markets.

I've been glad to see more and more clients embracing global diversification. I believe this trend will continue as Vanguard's way of investing takes hold in international markets.

Affordable advice. In the wake of the 2008–2009 Global Financial Crisis, we began working on a new advice model. In 2015, we launched Vanguard Personal Advisor Services®, a hybrid advice offering that delivers value through a combination of a professional advisor and powerful digital technology at a competitive price.

Across the industry, we've seen the cost of providing advice coming down. Traditional advisors are embracing low-cost investments, and that, in turn, helps them reduce costs for their own clients. This is a trend that all of us at Vanguard would like to see continue.

Great people. I've interacted with hundreds of companies of all sizes and in all industries, and the one quality that sets Vanguard apart from most of them is our emphasis on people. It's a testament to our culture that colleagues spend 15, 20, or, as in my case, more than 30 years of their professional lives here. Investors benefit because we have consistent, experienced fund management teams and a deep bench of talent that ensures that things go smoothly when it's time for a transition.

We've done a great job attracting new talent, too. We made some notable additions to senior management in the last two years, and we're continuously grooming our next generation of leaders.

Ready for what comes next

When I was contemplating coming to work at Vanguard, I sat down with my rowing coach at his home in Philadelphia. Over cheesesteaks, he told me that the most important thing was to work for a company that had the same values I held deeply. He was like a second father to me, so I trusted his judgment at a time when I wasn't so sure about my own. Back then, I never could have anticipated the success Vanguard would have in the coming decades.

I'm no better at predicting the future now. Vanguard has enjoyed significant growth in the last few years, and that presents its own unique set of challenges and opportunities, such as the role we're

1 Source: Vanguard calculation, based on data from Morningstar, Inc., as of December 31, 2016.

playing in advocating for better corporate governance among companies our funds invest in. And the asset management industry is confronting significant changes brought on by technology, shifting demographics, and new regulations.

Although the future is uncertain, I'm confident that Vanguard is well-prepared to tackle whatever comes its way. And one thing I'm sure of: There are big parts of the world that would be well-served by our way of investing.

It's humbling to think about the impact the work we do at Vanguard has on clients who are trying to raise a family, buy a first home, save for college, or prepare for retirement. I've always tried to make decisions with investors' best interests in mind. It has been a privilege working with people who hold to that same ideal.

Thank you for entrusting us with your assets.

Sincerely,

F. William McNabb III
Chairman
January 1, 2018

Market Perspective

U.S. stocks posted record highs as earnings and economy clicked

U.S. stocks generated robust results for the 12 months ended December 31, 2017, powered by rising corporate earnings, investors' willingness to pay more for those earnings, and broad-based global economic expansion. For the ninth straight calendar year, U.S. stocks recorded gains when dividends are factored into returns. The Federal Reserve acknowledged the health of the economy, raising interest rates in December for the third time in 2017.

The broad U.S. stock market reached numerous record highs and finished the year up 21.13%. Stocks also benefited from the passage of tax-reform legislation and the possibility of less government regulation and more fiscal stimulus in the form of infrastructure spending.

Growth stocks widely exceeded their value counterparts, while large-capitalization stocks surpassed small-caps. Nine of the 11 industry sectors advanced. Information technology climbed about 37%, while materials, health care, industrials, and financials also rose more than 20%. Telecommunication services and energy were the only sectors to decline.

International stocks fared even better than their U.S. brethren, returning 27.11%—a result that was enhanced for U.S. investors by the dollar's weakness against a number of foreign currencies. Investors were also attracted to international stocks' relatively inexpensive valuations. Emerging-market stocks led those from the developed markets of Europe and the Pacific region, but gains were notable across the board.

Demand from investors helped boost bond prices

The Fed's three interest rate increases in 2017 didn't dissuade investors, who requested bonds even as stocks continued to surge. Inflation expectations were generally muted, which contributed to lower yields for longer-dated U.S. Treasuries and thus to higher bond prices. (Bond prices and yields move in opposite directions.) Bonds also drew support from various central banks' accommodative monetary policies.

The broad U.S. bond market returned 3.54% for the period. Investment-grade corporate bonds outperformed Treasuries and mortgage-backed securities. The yield of the benchmark 10-year Treasury note dipped slightly, closing December at 2.41%, from 2.45% a year earlier.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 10.51%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds. The Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged) returned 2.57%.

Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2017		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	21.69%	11.23%	15.71%
Russell 2000 Index (Small-caps)	14.65	9.96	14.12
Russell 3000 Index (Broad U.S. market)	21.13	11.12	15.58
FTSE All-World ex US Index (International)	27.11	8.27	7.19
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	3.54%	2.24%	2.10%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	5.45	2.98	3.02
Citigroup Three-Month U.S. Treasury Bill Index	0.84	0.37	0.23
CPI			
Consumer Price Index	2.11%	1.64%	1.43%

Vanguard® Equity Index Portfolio

U.S. stocks hit record highs in 2017 as investors welcomed tax legislation, strong corporate profits, low unemployment, and solid economic growth.

For the year ended December 31, 2017, Vanguard Equity Index Portfolio returned 21.66%, closely tracking its benchmark index, the Standard & Poor's 500 Index. The portfolio outpaced the average return of its peer funds for the 12-month period.

The table below shows the returns of your portfolio and its comparative standards for the year. For additional perspective, we also present their annualized returns for the past ten years.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Information technology stocks led the sector returns

The Equity Index Portfolio is composed of 500 of the largest U.S. companies, encompassing about three-quarters of the U.S. stock market's value. Stocks of every style and from every industry sector are represented. Over the year, large-capitalization stocks outperformed their mid- and small-cap counterparts, and growth stocks outpaced value.

Nine of the 11 industry sectors recorded gains, led by a 39% rise for information technology stocks, the portfolio's largest sector. The sector's strongest showings came from hardware, software, and internet services stocks. Five other sectors—materials, consumer discretionary, financials, health care, and industrials—produced returns in excess of 20%.

Only the telecommunication services and energy sectors entered negative territory. Telecommunication services, the portfolio's smallest sector, was pinched by internet service disruptions, subscriber defections, and antitrust jitters at a few firms. Energy stocks were confronted with higher oil prices amid supply worries and increasing demand.

Portfolio closely tracked the benchmark index

For the ten years ended December 31, the Equity Index Portfolio recorded an average annual return of 8.38%. This result closely tracked the return of its target index, which has no transaction costs or operating expenses, and was more than 1 percentage point higher than the average return of the portfolio's peer funds.

Total Returns

	Year Ended December 31, 2017	Ten Years Ended December 31, 2017 Average Annual Return
Vanguard Equity Index Portfolio	21.66%	8.38%
S&P 500 Index	21.83	8.50
Variable Insurance Large-Cap Core Funds Average[1]	20.32	7.12

The figures shown represent past performance, which is not a guarantee of future results. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Core Funds Average
Equity Index Portfolio	0.15%	0.39%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the portfolio's expense ratio was 0.15%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*
The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	1,944,141,093	99,613,853	95.1%
Emerson U. Fullwood	1,941,634,789	102,120,157	95.0%
Amy Gutmann	1,936,277,120	107,477,826	94.7%
JoAnn Heffernan Heisen	1,932,975,342	110,779,604	94.6%
F. Joseph Loughrey	1,942,078,522	101,676,424	95.0%
Mark Loughridge	1,945,099,950	98,654,996	95.2%
Scott C. Malpass	1,936,871,738	106,883,208	94.8%
F. William McNabb III	1,943,389,639	100,365,307	95.1%
Deanna Mulligan	1,935,898,722	107,856,224	94.7%
André F. Perold	1,929,764,167	113,990,779	94.4%
Sarah Bloom Raskin	1,932,581,664	111,173,282	94.6%
Peter F. Volanakis	1,939,733,490	104,021,455	94.9%

* Results are for all funds within the same trust.

Proposal 2—Approve a manager-of-managers arrangement with third-party investment advisors.
This arrangement enables the fund to enter into and materially amend investment advisory arrangements with third-party investment advisors, subject to the approval of the fund's board of trustees and certain conditions imposed by the Securities and Exchange Commission, while avoiding the costs and delays associated with obtaining future shareholder approval.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
Equity Index Portfolio	110,175,965	4,428,849	5,997,749	0	91.4%

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.
This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
Equity Index Portfolio	111,195,567	4,569,063	4,837,933	0	92.2%

Portfolio Profile

As of December 31, 2017

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	505	505	3,775
Median Market Cap	$94.4B	$94.4B	$66.9B
Price/Earnings Ratio	23.2x	23.2x	22.8x
Price/Book Ratio	3.2x	3.2x	3.0x
Yield[3]	1.7%	1.8%	1.7%
Return on Equity	16.0%	16.0%	15.1%
Earnings Growth Rate	9.6%	9.6%	9.9%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate	5%	—	—
Expense Ratio[4]	0.15%	—	—
Short-Term Reserves	-0.1%	—	—

Volatility Measures

	Portfolio Versus Target Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.99
Beta	1.00	0.98

Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Consumer Discretionary	12.2%	12.2%	12.6%
Consumer Staples	8.2	8.2	7.3
Energy	6.1	6.1	5.8
Financials	14.8	14.8	15.2
Health Care	13.8	13.8	13.3
Industrials	10.2	10.3	10.9
Information Technology	23.8	23.7	22.7
Materials	3.0	3.0	3.4
Real Estate	2.9	2.9	3.9
Telecommunication Services	2.1	2.1	1.9
Utilities	2.9	2.9	3.0

Ten Largest Holdings[5] (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	3.8
Microsoft Corp.	Systems Software	2.9
Alphabet Inc.	Internet Software & Services	2.7
Amazon.com Inc.	Internet & Direct Marketing Retail	2.0
Facebook Inc.	Internet Software & Services	1.8
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.7
Johnson & Johnson	Pharmaceuticals	1.6
JPMorgan Chase & Co.	Diversified Banks	1.6
Exxon Mobil Corp.	Integrated Oil & Gas	1.5
Bank of America Corp.	Diversified Banks	1.2
Top Ten		20.8%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large		■	
	Medium			
	Small			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds) its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 S&P 500 Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

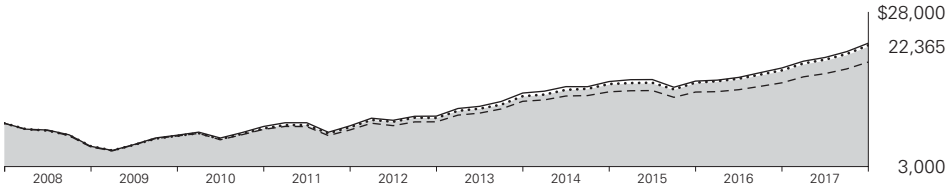
4 The expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the expense ratio was 0.15%.

5 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

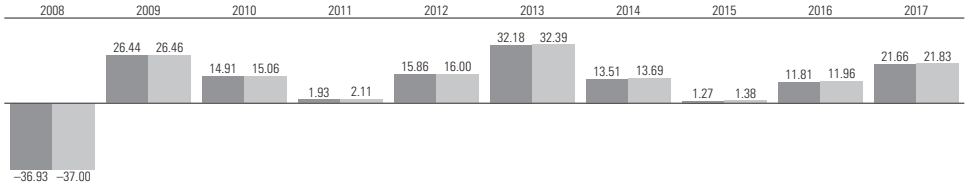
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Cumulative Performance: December 31, 2007–December 31, 2017
Initial Investment of $10,000



	Average Annual Total Returns Periods Ended December 31, 2017			Final Value of a $10,000 Investment
	One Year	Five Years	Ten Years	
Equity Index Portfolio	21.66%	15.63%	8.38%	$22,365
S&P 500 Index	21.83	15.79	8.50	22,603
Variable Insurance Large-Cap Core Funds Average[1]	20.32	14.22	7.12	19,898
Dow Jones U.S. Total Stock Market Float Adjusted Index	21.16	15.52	8.66	22,948

Fiscal Year Total Returns (%): December 31, 2007–December 31, 2017



Equity Index Portfolio
S&P 500 Index

1 Derived from data provided by Lipper, a Thomson Reuters Company.
See Financial Highlights for dividend and capital gains information.

Financial Statements

Statement of Net Assets

As of December 31, 2017

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (99.4%)[1]		
Consumer Discretionary (12.1%)		
* Amazon.com Inc.	90,252	105,547
Home Depot Inc.	263,452	49,932
Comcast Corp. Class A	1,051,970	42,131
Walt Disney Co.	340,573	36,615
McDonald's Corp.	179,904	30,965
* Priceline Group Inc.	11,009	19,131
* Netflix Inc.	97,545	18,725
NIKE Inc. Class B	295,978	18,513
Starbucks Corp.	320,602	18,412
Lowe's Cos. Inc.	187,701	17,445
Time Warner Inc.	175,551	16,058
* Charter Communications Inc. Class A	43,720	14,688
General Motors Co.	287,027	11,765
Ford Motor Co.	880,081	10,992
TJX Cos. Inc.	143,025	10,936
Marriott International Inc. Class A	69,121	9,382
Twenty-First Century Fox Inc. Class A	237,571	8,203
Target Corp.	122,204	7,974
Ross Stores Inc.	86,552	6,946
Yum! Brands Inc.	75,627	6,172
Carnival Corp.	92,125	6,114
* Dollar Tree Inc.	53,387	5,729
Dollar General Corp.	58,888	5,477
VF Corp.	73,768	5,459
* Aptiv plc	60,319	5,117
CBS Corp. Class B	82,090	4,843
Royal Caribbean Cruises Ltd.	38,892	4,639
* O'Reilly Automotive Inc.	19,057	4,584
* AutoZone Inc.	6,152	4,376
* Mohawk Industries Inc.	14,288	3,942
Best Buy Co. Inc.	57,215	3,918
DR Horton Inc.	76,427	3,903
MGM Resorts International	114,010	3,807
Omnicom Group Inc.	52,215	3,803
Hilton Worldwide Holdings Inc.	46,029	3,676
Newell Brands Inc.	111,035	3,431
L Brands Inc.	56,383	3,395
Twenty-First Century Fox Inc.	99,257	3,387
Expedia Inc.	27,717	3,320
Genuine Parts Co.	33,318	3,166
Wynn Resorts Ltd.	18,155	3,061
* Ulta Beauty Inc.	13,233	2,960
Lennar Corp. Class A	45,245	2,861
Tapestry Inc.	64,261	2,842
* LKQ Corp.	69,618	2,831
Whirlpool Corp.	16,415	2,768
Darden Restaurants Inc.	28,349	2,722
* CarMax Inc.	41,587	2,667
Wyndham Worldwide Corp.	22,476	2,604
Viacom Inc. Class B	80,426	2,478
* DISH Network Corp. Class A	51,659	2,467
PVH Corp.	17,605	2,416
Tiffany & Co.	23,107	2,402
Hasbro Inc.	25,790	2,344
BorgWarner Inc.	45,150	2,307
* Michael Kors Holdings Ltd.	34,659	2,182
Tractor Supply Co.	29,046	2,171
* Norwegian Cruise Line Holdings Ltd.	40,454	2,154
Kohl's Corp.	37,251	2,020
PulteGroup Inc.	60,075	1,998
Harley-Davidson Inc.	38,836	1,976
Scripps Networks Interactive Inc. Class A	21,771	1,859
News Corp. Class A	114,423	1,855
Goodyear Tire & Rubber Co.	54,441	1,759
Macy's Inc.	69,223	1,744
Interpublic Group of Cos. Inc.	86,203	1,738
Hanesbrands Inc.	82,735	1,730
Gap Inc.	49,909	1,700
Advance Auto Parts Inc.	16,876	1,682
* Chipotle Mexican Grill Inc. Class A	5,776	1,669
Garmin Ltd.	25,315	1,508
Leggett & Platt Inc.	30,044	1,434
Foot Locker Inc.	28,378	1,330
Ralph Lauren Corp. Class A	12,179	1,263
Nordstrom Inc.	26,146	1,239
H&R Block Inc.	47,218	1,238
Mattel Inc.	79,258	1,219
* Discovery Communications Inc.	47,118	998
* TripAdvisor Inc.	25,017	862
Signet Jewelers Ltd.	14,120	798
* Discovery Communications Inc. Class A	34,818	779
* Under Armour Inc. Class A	41,467	598
* Under Armour Inc.	41,752	556
Lennar Corp. Class B	916	47
		628,454
Consumer Staples (8.2%)		
Procter & Gamble Co.	575,161	52,846
Coca-Cola Co.	865,778	39,722
PepsiCo Inc.	321,000	38,494
Philip Morris International Inc.	350,646	37,046
Wal-Mart Stores Inc.	330,508	32,638
Altria Group Inc.	430,794	30,763
Costco Wholesale Corp.	98,572	18,346
CVS Health Corp.	228,561	16,571
Colgate-Palmolive Co.	198,072	14,944
Mondelez International Inc. Class A	336,842	14,417
Walgreens Boots Alliance Inc.	195,635	14,207
Kraft Heinz Co.	134,620	10,468
Kimberly-Clark Corp.	79,412	9,582
Constellation Brands Inc. Class A	38,872	8,885
General Mills Inc.	127,414	7,554
Sysco Corp.	108,008	6,559
Estee Lauder Cos. Inc. Class A	50,568	6,434
* Monster Beverage Corp.	92,966	5,884
Kroger Co.	200,138	5,494
Tyson Foods Inc. Class A	67,118	5,441
Archer-Daniels-Midland Co.	127,212	5,099
Clorox Co.	29,187	4,341
Dr Pepper Snapple Group Inc.	40,242	3,906
Kellogg Co.	56,118	3,815
Hershey Co.	31,890	3,620
Molson Coors Brewing Co. Class B	41,760	3,427
Conagra Brands Inc.	90,974	3,427
JM Smucker Co.	25,595	3,180
Brown-Forman Corp. Class B	44,350	3,045
Church & Dwight Co. Inc.	56,588	2,839
McCormick & Co. Inc.	26,865	2,738
Hormel Foods Corp.	61,220	2,228
Coty Inc. Class A	107,188	2,132
Campbell Soup Co.	44,016	2,118
		422,210
Energy (6.0%)		
Exxon Mobil Corp.	956,405	79,994
Chevron Corp.	428,637	53,661
Schlumberger Ltd.	312,475	21,058
ConocoPhillips	269,087	14,770
EOG Resources Inc.	130,030	14,032
Occidental Petroleum Corp.	172,345	12,695
Phillips 66	96,940	9,805
Halliburton Co.	195,749	9,566
Valero Energy Corp.	98,735	9,075
Kinder Morgan Inc.	432,184	7,810
Marathon Petroleum Corp.	110,030	7,260
Pioneer Natural Resources Co.	38,447	6,646
Anadarko Petroleum Corp.	122,509	6,571
Williams Cos. Inc.	186,531	5,687
* Concho Resources Inc.	33,618	5,050
Devon Energy Corp.	118,723	4,915
ONEOK Inc.	85,912	4,592
Andeavor	32,563	3,723
Apache Corp.	85,989	3,630
Marathon Oil Corp.	193,183	3,271
Noble Energy Inc.	110,272	3,213
EQT Corp.	54,931	3,127
TechnipFMC plc	99,310	3,109
National Oilwell Varco Inc.	86,022	3,099
Baker Hughes a GE Co.	96,985	3,069
Cabot Oil & Gas Corp.	104,624	2,992
Hess Corp.	61,043	2,898

	Shares	Market Value• ($000)
Cimarex Energy Co.	21,506	2,624
Helmerich & Payne Inc.	24,728	1,598
* Newfield Exploration Co.	45,738	1,442
Range Resources Corp.	52,681	899
* Chesapeake Energy Corp.	212,243	840
		312,721
Financials (14.7%)		
JPMorgan Chase & Co.	783,509	83,788
* Berkshire Hathaway Inc. Class B	403,353	79,953
Bank of America Corp.	2,189,590	64,637
Wells Fargo & Co.	1,000,250	60,685
Citigroup Inc.	596,865	44,413
Goldman Sachs Group Inc.	79,006	20,128
US Bancorp	356,282	19,090
Morgan Stanley	313,616	16,455
American Express Co.	163,142	16,202
PNC Financial Services Group Inc.	107,796	15,554
Chubb Ltd.	104,732	15,304
BlackRock Inc.	27,838	14,301
Charles Schwab Corp.	269,061	13,822
Bank of New York Mellon Corp.	230,468	12,413
American International Group Inc.	203,160	12,104
MetLife Inc.	238,668	12,067
CME Group Inc.	76,835	11,222
Prudential Financial Inc.	95,965	11,034
Capital One Financial Corp.	108,977	10,852
S&P Global Inc.	57,634	9,763
Marsh & McLennan Cos. Inc.	115,171	9,374
Intercontinental Exchange Inc.	132,425	9,344
BB&T Corp.	177,787	8,840
Allstate Corp.	80,984	8,480
Travelers Cos. Inc.	61,651	8,362
State Street Corp.	83,500	8,150
Aflac Inc.	88,864	7,800
Aon plc	56,286	7,542
Progressive Corp.	131,279	7,394
SunTrust Banks Inc.	106,831	6,900
Synchrony Financial	165,226	6,379
Discover Financial Services	81,443	6,265
* Berkshire Hathaway Inc. Class A	21	6,250
M&T Bank Corp.	33,759	5,772
T. Rowe Price Group Inc.	54,439	5,712
Ameriprise Financial Inc.	33,314	5,646
Moody's Corp.	37,540	5,541
KeyCorp	241,082	4,863
Northern Trust Corp.	48,547	4,849
Fifth Third Bancorp	157,514	4,779
Citizens Financial Group Inc.	110,067	4,621
Hartford Financial Services Group Inc.	80,034	4,504
Regions Financial Corp.	259,812	4,490
Willis Towers Watson plc	29,730	4,480
Principal Financial Group Inc.	60,564	4,273
Lincoln National Corp.	48,650	3,740
Huntington Bancshares Inc.	240,060	3,495
Comerica Inc.	38,799	3,368
Invesco Ltd.	91,854	3,356
Franklin Resources Inc.	74,424	3,225
Cboe Global Markets Inc.	25,697	3,202
Loews Corp.	62,427	3,123
* E*TRADE Financial Corp.	60,653	3,007
Unum Group	50,123	2,751
Raymond James Financial Inc.	29,092	2,598
Affiliated Managers Group Inc.	12,608	2,588
Arthur J Gallagher & Co.	40,774	2,580
Cincinnati Financial Corp.	33,815	2,535
Zions Bancorporation	45,895	2,333
Torchmark Corp.	23,734	2,153
Everest Re Group Ltd.	9,346	2,068
XL Group Ltd.	58,343	2,051
Nasdaq Inc.	26,317	2,022
Leucadia National Corp.	72,214	1,913
People's United Financial Inc.	78,925	1,476
* Brighthouse Financial Inc.	21,888	1,283
Assurant Inc.	12,387	1,249
Navient Corp.	56,435	752
		761,265
Health Care (13.7%)		
Johnson & Johnson	606,254	84,706
Pfizer Inc.	1,344,764	48,707
UnitedHealth Group Inc.	218,586	48,189
AbbVie Inc.	359,727	34,789
Merck & Co. Inc.	616,842	34,710
Amgen Inc.	163,746	28,475
Medtronic plc	305,147	24,641
Bristol-Myers Squibb Co.	368,942	22,609
Abbott Laboratories	392,692	22,411
Gilead Sciences Inc.	294,644	21,108
* Celgene Corp.	177,480	18,522
Eli Lilly & Co.	218,509	18,455
Thermo Fisher Scientific Inc.	90,439	17,173
* Biogen Inc.	47,688	15,192
Aetna Inc.	73,469	13,253
Anthem Inc.	57,858	13,019
Danaher Corp.	137,992	12,808
Becton Dickinson and Co.	59,765	12,793
Allergan plc	75,178	12,298
Cigna Corp.	55,509	11,273
Stryker Corp.	72,485	11,224
* Express Scripts Holding Co.	127,410	9,510
* Intuitive Surgical Inc.	25,287	9,228
* Vertex Pharmaceuticals Inc.	57,085	8,555
Humana Inc.	32,114	7,966
Zoetis Inc.	109,879	7,916
* Boston Scientific Corp.	309,162	7,664
McKesson Corp.	46,974	7,326
Baxter International Inc.	113,193	7,317
* Illumina Inc.	32,932	7,195
* Regeneron Pharmaceuticals Inc.	17,383	6,535
* Alexion Pharmaceuticals Inc.	50,403	6,028
* HCA Healthcare Inc.	63,448	5,573
Zimmer Biomet Holdings Inc.	45,715	5,516
* Edwards Lifesciences Corp.	47,522	5,356
* Mylan NV	121,232	5,129
Agilent Technologies Inc.	72,631	4,864
* Cerner Corp.	71,276	4,803
Cardinal Health Inc.	71,469	4,379
* Centene Corp.	38,903	3,925
* Incyte Corp.	39,406	3,732
* Laboratory Corp. of America Holdings	23,078	3,681
* Align Technology Inc.	16,300	3,622
* Mettler-Toledo International Inc.	5,768	3,573
* Waters Corp.	18,007	3,479
Dentsply Sirona Inc.	51,904	3,417
AmerisourceBergen Corp. Class A	36,606	3,361
* IQVIA Holdings Inc.	32,803	3,211
* IDEXX Laboratories Inc.	19,770	3,092
Quest Diagnostics Inc.	30,980	3,051
ResMed Inc.	32,327	2,738
* Hologic Inc.	61,615	2,634
Perrigo Co. plc	29,426	2,565
* Henry Schein Inc.	36,100	2,523
* DaVita Inc.	34,804	2,515
Cooper Cos. Inc.	11,057	2,409
* Varian Medical Systems Inc.	20,772	2,309
Universal Health Services Inc. Class B	20,052	2,273
PerkinElmer Inc.	25,256	1,847
* Envision Healthcare Corp.	28,193	974
Patterson Cos. Inc.	19,100	690
		708,836
Industrials (10.1%)		
Boeing Co.	126,375	37,269
General Electric Co.	1,955,377	34,121
3M Co.	134,696	31,703
Honeywell International Inc.	171,863	26,357
Union Pacific Corp.	177,566	23,812
United Technologies Corp.	167,388	21,354
Caterpillar Inc.	134,133	21,137
United Parcel Service Inc. Class B	155,021	18,471
Lockheed Martin Corp.	56,366	18,096
FedEx Corp.	55,625	13,881
General Dynamics Corp.	62,652	12,747
Raytheon Co.	65,210	12,250
Northrop Grumman Corp.	39,246	12,045
Illinois Tool Works Inc.	69,400	11,579
Deere & Co.	72,040	11,275
CSX Corp.	201,456	11,082
Emerson Electric Co.	144,410	10,064
Norfolk Southern Corp.	64,461	9,340
Delta Air Lines Inc.	147,732	8,273
Southwest Airlines Co.	122,989	8,050
Johnson Controls International plc	209,832	7,997
Eaton Corp. plc	99,077	7,828
Waste Management Inc.	89,535	7,727
Cummins Inc.	34,984	6,180
Parker-Hannifin Corp.	30,012	5,990
Roper Technologies Inc.	23,047	5,969
Stanley Black & Decker Inc.	34,627	5,876
Rockwell Automation Inc.	28,956	5,685
PACCAR Inc.	79,330	5,639
Ingersoll-Rand plc	55,979	4,993
Rockwell Collins Inc.	36,761	4,985
Fortive Corp.	68,846	4,981
American Airlines Group Inc.	95,708	4,980
* United Continental Holdings Inc.	56,505	3,808
AMETEK Inc.	52,004	3,769
* IHS Markit Ltd.	82,307	3,716
Dover Corp.	35,354	3,570
Fastenal Co.	65,268	3,569
Republic Services Inc. Class A	51,902	3,509
L3 Technologies Inc.	17,681	3,498
Textron Inc.	59,990	3,395

	Shares	Market Value• ($000)
* Verisk Analytics Inc. Class A	35,072	3,367
* United Rentals Inc.	19,258	3,311
Equifax Inc.	27,120	3,198
Masco Corp.	68,855	3,025
Cintas Corp.	19,350	3,015
TransDigm Group Inc.	10,928	3,001
CH Robinson Worldwide Inc.	31,882	2,840
Xylem Inc.	40,648	2,772
Nielsen Holdings plc	76,145	2,772
WW Grainger Inc.	11,564	2,732
Pentair plc	37,474	2,646
Arconic Inc.	95,959	2,615
Expeditors International of Washington Inc.	39,690	2,568
Kansas City Southern	23,757	2,500
Fortune Brands Home & Security Inc.	35,033	2,398
Snap-on Inc.	12,936	2,255
JB Hunt Transport Services Inc.	19,380	2,228
Alaska Air Group Inc.	28,314	2,081
AO Smith Corp.	33,164	2,032
Jacobs Engineering Group Inc.	27,272	1,799
Allegion plc	21,593	1,718
Acuity Brands Inc.	9,608	1,691
Fluor Corp.	31,776	1,641
Robert Half International Inc.	28,639	1,591
* Quanta Services Inc.	34,694	1,357
* Stericycle Inc.	19,712	1,340
Flowserve Corp.	30,244	1,274
		524,337
Information Technology (23.7%)		
Apple Inc.	1,158,584	196,067
Microsoft Corp.	1,740,961	148,922
* Facebook Inc. Class A	538,156	94,963
* Alphabet Inc. Class C	67,991	71,146
* Alphabet Inc. Class A	67,379	70,977
Intel Corp.	1,056,039	48,747
Visa Inc. Class A	409,415	46,681
Cisco Systems Inc.	1,114,546	42,687
Oracle Corp.	687,294	32,495
Mastercard Inc. Class A	209,650	31,733
International Business Machines Corp.	194,178	29,791
NVIDIA Corp.	136,706	26,453
Broadcom Ltd.	91,714	23,561
Texas Instruments Inc.	222,569	23,245
Accenture plc Class A	139,464	21,351
QUALCOMM Inc.	332,476	21,285
* Adobe Systems Inc.	111,165	19,481
* PayPal Holdings Inc.	254,874	18,764
* salesforce.com Inc.	154,620	15,807
Applied Materials Inc.	240,404	12,289
Automatic Data Processing Inc.	100,133	11,735
Activision Blizzard Inc.	170,410	10,790
* Micron Technology Inc.	260,198	10,699
Cognizant Technology Solutions Corp. Class A	133,144	9,456
Intuit Inc.	54,959	8,671
* eBay Inc.	218,571	8,249
HP Inc.	377,040	7,922
TE Connectivity Ltd.	79,779	7,582
Analog Devices Inc.	83,012	7,391
* Electronic Arts Inc.	69,660	7,318
Fidelity National Information Services Inc.	75,074	7,064
Lam Research Corp.	36,625	6,742
Corning Inc.	194,888	6,234
* Fiserv Inc.	46,745	6,130
DXC Technology Co.	64,262	6,098
Amphenol Corp. Class A	68,900	6,049
Western Digital Corp.	66,598	5,297
* Autodesk Inc.	49,471	5,186
Hewlett Packard Enterprise Co.	357,940	5,140
Paychex Inc.	72,199	4,915
* Red Hat Inc.	40,068	4,812
Microchip Technology Inc.	52,607	4,623
Skyworks Solutions Inc.	41,587	3,949
Symantec Corp.	138,852	3,896
Harris Corp.	27,059	3,833
Xilinx Inc.	56,297	3,796
KLA-Tencor Corp.	35,493	3,729
Global Payments Inc.	35,705	3,579
NetApp Inc.	60,773	3,362
Motorola Solutions Inc.	36,822	3,327
Total System Services Inc.	37,848	2,993
* Synopsys Inc.	34,122	2,909
* Citrix Systems Inc.	32,496	2,860
* ANSYS Inc.	19,148	2,826
Alliance Data Systems Corp.	10,905	2,764
Seagate Technology plc	65,350	2,734
* Cadence Design Systems Inc.	63,361	2,650
* Akamai Technologies Inc.	38,852	2,527
* Gartner Inc.	20,397	2,512
Juniper Networks Inc.	83,471	2,379
CA Inc.	71,147	2,368
* VeriSign Inc.	19,350	2,214
Western Union Co.	101,185	1,924
* Qorvo Inc.	28,849	1,921
* F5 Networks Inc.	14,406	1,890
* Advanced Micro Devices Inc.	183,781	1,889
FLIR Systems Inc.	31,563	1,471
Xerox Corp.	48,786	1,422
CSRA Inc.	38,014	1,137
		1,227,409
Materials (3.0%)		
DowDuPont Inc.	527,706	37,583
Monsanto Co.	99,130	11,576
Praxair Inc.	64,534	9,982
Air Products & Chemicals Inc.	49,235	8,079
LyondellBasell Industries NV Class A	72,696	8,020
Ecolab Inc.	58,775	7,887
Sherwin-Williams Co.	18,593	7,624
PPG Industries Inc.	57,075	6,668
* Freeport-McMoRan Inc.	303,090	5,747
International Paper Co.	93,206	5,400
Nucor Corp.	72,060	4,582
Newmont Mining Corp.	120,381	4,517
Vulcan Materials Co.	29,977	3,848
WestRock Co.	57,140	3,612
Albemarle Corp.	25,040	3,202
Martin Marietta Materials Inc.	14,234	3,146
Eastman Chemical Co.	32,906	3,048
Ball Corp.	79,344	3,003
FMC Corp.	30,394	2,877
International Flavors & Fragrances Inc.	17,942	2,738
Packaging Corp. of America	20,975	2,529
Avery Dennison Corp.	19,928	2,289
CF Industries Holdings Inc.	53,065	2,257
Mosaic Co.	79,543	2,041
Sealed Air Corp.	40,996	2,021
		154,276
Real Estate (2.9%)		
American Tower Corp.	96,740	13,802
Simon Property Group Inc.	70,098	12,039
Crown Castle International Corp.	91,529	10,161
Equinix Inc.	17,674	8,010
Prologis Inc.	119,821	7,730
Public Storage	33,769	7,058
Weyerhaeuser Co.	169,725	5,984
AvalonBay Communities Inc.	30,904	5,514
Welltower Inc.	83,331	5,314
Equity Residential	83,004	5,293
Digital Realty Trust Inc.	46,241	5,267
Ventas Inc.	80,597	4,837
Boston Properties Inc.	34,687	4,510
* SBA Communications Corp. Class A	26,441	4,319
Essex Property Trust Inc.	14,957	3,610
Realty Income Corp.	62,257	3,550
Host Hotels & Resorts Inc.	167,418	3,323
GGP Inc.	141,682	3,314
Vornado Realty Trust	38,994	3,049
* CBRE Group Inc. Class A	68,116	2,950
HCP Inc.	107,031	2,791
Alexandria Real Estate Equities Inc.	21,226	2,772
Mid-America Apartment Communities Inc.	25,647	2,579
Extra Space Storage Inc.	28,482	2,491
Iron Mountain Inc.	63,469	2,395
UDR Inc.	60,578	2,333
Regency Centers Corp.	33,581	2,323
SL Green Realty Corp.	22,554	2,276
Federal Realty Investment Trust	16,498	2,191
Duke Realty Corp.	78,308	2,131
Kimco Realty Corp.	97,622	1,772
Macerich Co.	24,977	1,640
Apartment Investment & Management Co.	35,833	1,566
		148,894
Telecommunication Services (2.1%)		
AT&T Inc.	1,384,836	53,842
Verizon Communications Inc.	920,228	48,708
CenturyLink Inc.	219,797	3,666
		106,216
Utilities (2.9%)		
NextEra Energy Inc.	106,389	16,617
Duke Energy Corp.	158,036	13,292
Dominion Energy Inc.	145,410	11,787
Southern Co.	225,792	10,858
Exelon Corp.	216,623	8,537
American Electric Power Co. Inc.	110,963	8,164
Sempra Energy	56,611	6,053
Consolidated Edison Inc.	69,967	5,944
Public Service Enterprise Group Inc.	114,287	5,886
Xcel Energy Inc.	114,640	5,515
PG&E Corp.	115,825	5,192
PPL Corp.	154,369	4,778
WEC Energy Group Inc.	70,502	4,683
Edison International	73,613	4,655

	Shares	Market Value• ($000)
Eversource Energy	71,634	4,526
DTE Energy Co.	40,548	4,438
American Water Works Co. Inc.	40,385	3,695
Entergy Corp.	40,593	3,304
Ameren Corp.	54,711	3,227
FirstEnergy Corp.	100,402	3,074
CMS Energy Corp.	63,760	3,016
CenterPoint Energy Inc.	97,589	2,768
Alliant Energy Corp.	52,253	2,227
Pinnacle West Capital Corp.	25,357	2,160
NRG Energy Inc.	68,974	1,964
NiSource Inc.	74,351	1,909
AES Corp.	150,370	1,629
SCANA Corp.	32,651	1,299
		151,197
Total Common Stocks (Cost $3,252,098)		**5,145,815**
Temporary Cash Investments (0.5%)[1]		
Money Market Fund (0.4%)		
[2] Vanguard Market Liquidity Fund, 1.458%	221,919	22,194
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.1%)		
United States Cash Management Bill, 1.048%, 1/2/18	1,000	1,000
United States Treasury Bill, 1.116%, 2/22/18	400	399
[3] United States Treasury Bill, 1.169%, 3/22/18	200	200
[3] United States Treasury Bill, 1.446%, 5/31/18	900	895
		2,494
Total Temporary Cash Investments (Cost $24,689)		**24,688**
Total Investments (99.9%) (Cost $3,276,787)		**5,170,503**

	Amount ($000)
Other Assets and Liabilities (0.1%)	
Other Assets	
Investment in Vanguard	284
Receivables for Investment Securities Sold	5,512
Receivables for Accrued Income	5,237
Receivables for Capital Shares Issued	4,485
Total Other Assets	**15,518**
Liabilities	
Payables for Investment Securities Purchased	(1,846)
Payables for Capital Shares Redeemed	(3,066)
Payables to Vanguard	(3,235)
Variation Margin Payable—Futures Contracts	(96)
Total Liabilities	**(8,243)**
Net Assets (100%)	
Applicable to 125,761,224 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**5,177,778**
Net Asset Value Per Share	**$41.17**

At December 31, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	3,113,530
Undistributed Net Investment Income	84,581
Accumulated Net Realized Gains	85,784
Unrealized Appreciation (Depreciation)	
Investment Securities	1,893,716
Futures Contracts	167
Net Assets	**5,177,778**

• See Note A in Notes to Financial Statements.

* 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 -0.01%, respectively, of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Securities with a value of $905,000 have been segregated as initial margin for open futures contracts.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount ($000)	Value and Unrealized Appreciation (Depreciation) ($000)
Long Futures Contracts				
E-mini S&P 500 Index	March 2018	219	29,302	167

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Year Ended December 31, 2017 ($000)
Investment Income	
Income	
Dividends	94,689
Interest[1]	252
Securities Lending—Net	49
Total Income	94,990
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	1,159
Management and Administrative	5,018
Marketing and Distribution	678
Custodian Fees	81
Auditing Fees	82
Shareholders' Reports and Proxy	107
Trustees' Fees and Expenses	4
Total Expenses	7,129
Net Investment Income	**87,861**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	82,084
Futures Contracts	3,649
Realized Net Gain (Loss)	**85,733**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[1]	757,477
Futures Contracts	285
Change in Unrealized Appreciation (Depreciation)	**757,762**
Net Increase (Decrease) in Net Assets Resulting from Operations	**931,356**

1 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were $239,000, $0, and ($2,000), respectively.

Statement of Changes in Net Assets

	Year Ended December 31, 2017 ($000)	Year Ended December 31, 2016 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	87,861	85,626
Realized Net Gain (Loss)	85,733	145,708
Change in Unrealized Appreciation (Depreciation)	757,762	236,189
Net Increase (Decrease) in Net Assets Resulting from Operations	931,356	467,523
Distributions		
Net Investment Income	(85,191)	(91,047)
Realized Capital Gain[1]	(145,507)	(74,373)
Total Distributions	(230,698)	(165,420)
Capital Share Transactions		
Issued	429,437	466,783
Issued in Lieu of Cash Distributions	230,698	165,420
Redeemed	(512,346)	(589,792)
Net Increase (Decrease) from Capital Share Transactions	147,789	42,411
Total Increase (Decrease)	848,447	344,514
Net Assets		
Beginning of Period	**4,329,331**	**3,984,817**
End of Period[2]	**5,177,778**	**4,329,331**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $3,181,000 and $600,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $84,581,000 and $81,911,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	**$35.63**	**$33.25**	**$34.44**	**$31.50**	**$24.93**
Investment Operations					
Net Investment Income	.699[1]	.704	.759[2]	.587	.545
Net Realized and Unrealized Gain (Loss) on Investments	6.734	3.055	(.338)	3.522	7.235
Total from Investment Operations	7.433	3.759	.421	4.109	7.780
Distributions					
Dividends from Net Investment Income	(.699)	(.759)	(.569)	(.555)	(.505)
Distributions from Realized Capital Gains	(1.194)	(.620)	(1.042)	(.614)	(.705)
Total Distributions	(1.893)	(1.379)	(1.611)	(1.169)	(1.210)
Net Asset Value, End of Period	**$41.17**	**$35.63**	**$33.25**	**$34.44**	**$31.50**
Total Return	**21.66%**	**11.81%**	**1.27%**	**13.51%**	**32.18%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$5,178	$4,329	$3,985	$3,784	$3,199
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.15%	0.16%	0.16%
Ratio of Net Investment Income to Average Net Assets	1.85%	2.08%	2.31%[2]	1.88%	1.96%
Portfolio Turnover Rate	5%	7%	4%	7%	8%

1 Calculated based on average shares outstanding.

2 Net investment income per share and the ratio of net investment income to average net assets include $.13 and 0.35%, respectively, resulting from a special dividend from Medtronic plc in January 2015.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the year ended December 31, 2017, the portfolio's average investments in long and short futures contracts represented 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2014–2017), and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event

of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at December 31, 2017, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2017, the portfolio had contributed to Vanguard capital in the amount of $284,000, representing 0.01% of the portfolio's net assets and 0.11% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of December 31, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	5,145,815	—	—
Temporary Cash Investments	22,194	2,494	—
Futures Contracts—Liabilities[1]	(96)	—	—
Total	5,167,913	2,494	—

1 Represents variation margin on the last day of the reporting period.

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For tax purposes, at December 31, 2017, the portfolio had $89,545,000 of ordinary income and $83,840,000 of long-term capital gains available for distribution.

At December 31, 2017, the cost of investment securities for tax purposes was $3,276,787,000. Net unrealized appreciation of investment securities for tax purposes was $1,893,716,000, consisting of unrealized gains of $2,068,004,000 on securities that had risen in value since their purchase and $174,288,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the year ended December 31, 2017, the portfolio purchased $214,413,000 of investment securities and sold $220,839,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2017 Shares (000)	2016 Shares (000)
Issued	11,409	14,135
Issued in Lieu of Cash Distributions	6,442	5,208
Redeemed	(13,593)	(17,679)
Net Increase (Decrease) in Shares Outstanding	4,258	1,664

At December 31, 2017, two shareholders (an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Vanguard Total Stock Market Index Portfolio) were each the record or beneficial owner of 30% or more of the portfolio's net assets, with a combined ownership of 63%. If one of these shareholders were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

G. Management has determined that no material events or transactions occurred subsequent to December 31, 2017, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of Equity Index Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Equity Index Portfolio (one of the funds constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2018

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

Special 2017 tax information (unaudited) for corporate shareholders only for Vanguard Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds

This information for the fiscal year ended December 31, 2017, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The portfolio distributed $142,326,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

For corporate shareholders, 97.9% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

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 December 31, 2017

Equity Index Portfolio	Beginning Account Value 6/30/2017	Ending Account Value 12/31/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,113.30	$0.80
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.45	0.77

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.15%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

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The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 201 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Chief Executive Officer and Director of The Vanguard Group and President and Chief Executive Officer of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; President of The Vanguard Group (2008–2017); Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College; Trustee of the University of Rochester.

Rajiv L. Gupta

Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Arconic Inc. (diversified manufacturer), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center.

JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the Executive Committee (1997–2008), Chief Global Diversity Officer (retired 2008), Vice President and Chief Information Officer (1997–2006), Controller (1995–1997), Treasurer (1991–1995), and Assistant Treasurer (1989–1991) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; Director of the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and Chair of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Member of the Council on Chicago Booth.

Scott C. Malpass

Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, the Board of Catholic Investment Services, Inc. (investment advisor), and the Board of Superintendence of the Institute for the Works of Religion; Chairman of the Board of TIFF Advisory Services, Inc. (investment advisor).

André F. Perold

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Co-Managing Partner of HighVista Strategies LLC (private investment firm); Overseer of the Museum of Fine Arts Boston.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem
Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

Christine M. Buchanan
Born 1970. Treasurer Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Global Head of Vanguard Fund Administration at The Vanguard Group; Partner at KPMG LLP (2005–2017).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Anne E. Robinson
Born 1970. Secretary Since September 2016. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

Michael Rollings
Born 1963. Finance Director Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Director of Vanguard Marketing Corporation; Treasurer of each of the investment companies served by The Vanguard Group (February 2017–November 2017); Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

P.O. Box 2600
Valley Forge, PA 19482-2600

Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Performance Summary Fourth Quarter 2017

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

	Nonstandardized[1] Total Returns		Standardized[1] Total Returns for Periods Ended 12/31/2017				Annualized Current Yield* for Period Ended 12/31/2017
Portfolio/Subaccount (Inception Date)	**Fourth Quarter 2017**	**YTD 2017**	**1 Year**	**5 Years**	**10 Years**	**Since Inception**	
Money Market** (5/2/1991)	**0.23%**	**0.72%**	**0.71%**	**0.07%**	**0.28%**	**2.45%**	**1.05%**
Citigroup 3-Month U.S. Treasury Bill Index	0.28	0.84	0.84	0.23	0.34	2.62	
Short-Term Investment-Grade (2/8/1999)	**–0.17**	**1.80**	**1.79**	**1.45**	**2.69**	**3.53**	
Bloomberg Barclays U.S. 1–5 Year Credit Index	–0.13	2.32	2.32	1.83	3.49	4.44	
Total Bond Market Index (4/29/1991)	**0.27**	**3.18**	**3.18**	**1.64**	**3.57**	**5.20**	
Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index[2]	0.41	3.63	3.63	2.10	4.03	5.87	
High Yield Bond (6/3/1996)[3]	**–0.07**	**6.70**	**6.69**	**4.71**	**6.30**	**5.86**	
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.47	7.50	7.50	5.78	8.03	7.20	
Conservative Allocation (10/19/2011)[4]	**2.55**	**10.57**	**10.56**	**—**	**—**	**6.83**	
Conservative Allocation Composite Index	2.73	10.95	10.95	6.74	—	7.30	
Moderate Allocation (10/19/2011)[4]	**3.56**	**14.47**	**14.47**	**8.38**	**—**	**8.99**	
Moderate Allocation Composite Index	3.83	14.88	14.88	8.90	—	9.48	
Balanced (5/23/1991)[4]	**4.43**	**14.39**	**14.39**	**10.59**	**7.23**	**9.20**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Balanced Composite Index	4.61	15.76	15.76	11.24	7.46	8.84	
Total Stock Market Index (5/1/2003)	**6.20**	**20.62**	**20.62**	**15.05**	**8.17**	**9.82**	
Spliced Total Market Index***	6.33	21.16	21.16	15.52	8.58	10.22	
Equity Index (4/29/1991)	**6.53**	**21.31**	**21.30**	**15.29**	**8.06**	**9.34**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Large-Cap Core Funds Average	5.93	20.32	20.32	14.22	7.12	8.55	
Equity Income (6/7/1993)	**6.31**	**17.91**	**17.91**	**14.40**	**8.37**	**9.62**	
Spliced Equity Income Index****	6.31	16.51	16.51	15.16	8.70	10.53	
Diversified Value (2/8/1999)	**5.37**	**12.83**	**12.83**	**11.79**	**6.32**	**6.95**	
Russell 1000 Value Index	5.33	13.66	13.66	14.04	7.10	7.07	
Growth (6/7/1993)	**6.07**	**30.54**	**30.54**	**16.23**	**8.72**	**7.15**	
Russell 1000 Growth Index	7.86	30.21	30.21	17.33	10.00	9.37	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.69	
Capital Growth (5/1/2003)	**6.93**	**28.46**	**28.46**	**18.82**	**10.93**	**12.53**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.81	
Mid-Cap Index (2/9/1999)[5]	**5.53**	**18.74**	**18.73**	**14.52**	**8.47**	**10.02**	
Spliced Mid Cap Index*****	5.65	19.30	19.30	15.06	8.96	10.41	
Small Company Growth (6/3/1996)[5]	**5.14**	**23.11**	**23.11**	**15.55**	**10.12**	**10.65**	
Russell 2500 Growth Index	6.35	24.46	24.46	15.47	9.62	8.06	
Variable Insurance Small-Cap Growth Funds Average	5.18	23.89	23.89	14.37	8.37	7.20	
REIT Index (2/9/1999)[6]	**1.24**	**4.47**	**4.47**	**8.77**	**7.10**	**10.09**	
REIT Spliced Index†	1.41	5.07	5.07	9.34	7.63	10.65	
International (6/3/1994)[7]	**3.88**	**42.26**	**42.26**	**10.48**	**4.36**	**7.32**	
Spliced International Index††	5.00	27.19	27.19	6.80	1.23	4.89	
Total International Stock Market Index (9/7/2017)	**4.83**	**—**	**—**	**—**	**—**	**5.66**	
FTSE Global All Cap ex US Index	—	—	—	—	—	0.93	
Global Bond Index (9/7/2017)	**0.53**	**—**	**—**	**—**	**—**	**–0.24**	
Global Bond Composite Index	—	—	—	—	—	–0.79	

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*Seven-day yield for the Money Market Portfolio; the annualized yield reflects the current earnings of the portfolio more closely than the total returns shown.

The Fund is only available to retail investors (natural persons). 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. The Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. 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.

***Spliced Total Market Index: Dow Jones Wilshire 5000 Index through June 17, 2005; S&P Total Market Index thereafter.

****Spliced Equity Income Index: Russell 1000 Value Index through July 31, 2007; FTSE High Dividend Yield Index thereafter.

*****Spliced Mid Cap Index: S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

† MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

†† The portfolio adopted the MSCI All Country World Index ex USA on June 1, 2010, as its target index, replacing the MSCI EAFE Index. The Spliced International Index reflects performance of the MSCI EAFE Index through May 31, 2010, and performance of the MSCI All Country World Index ex USA thereafter.

[1]The "nonstandardized" quarter and year-to-date returns are unadjusted. The "standardized" one-, five-, and ten-year period returns are adjusted for the $25 annual fee charged on contracts valued at less than $25,000. With respect to contracts issued in New York State, performance figures shown are based on the actual performance of Vanguard Variable Insurance Fund as if the contracts were being offered in New York prior to their first New York offering date in November 1992. Distributions taken prior to age 59½ may be subject to a 10% federal penalty tax.

[2]Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

[3]Because high-yield bonds are considered speculative, investors should be prepared to assume a substantially greater level of risk than with other types of bonds.

[4]These investments are eligible for the Guaranteed Lifetime Withdrawal Benefit.

[5]A portfolio that concentrates its investments in small- and mid-capitalization stocks may be more volatile than a portfolio that invests in large-capitalization stocks.

[6]A portfolio that concentrates its investments in one economic sector or geographic region faces the risk of higher share-price volatility.

[7]Foreign stock prices are subject to the same influences as domestic stocks, but international investing can involve additional risks and expenses that can increase the potential for losses in the portfolio (for example, changes in currency rates, higher transaction costs, less stable economies and political structures, and differences in auditing and other financial standards).

Average portfolio performance is based on data provided by Lipper, a Thomson Reuters Company.

The returns presented in the table on the reverse take into account the reinvestment of all dividends and capital gains, reduced by a daily mortality and expense risk charge. The daily mortality and expense risk charge corresponds to an annual fee of 0.19% and an administrative charge that corresponds to an annual fee of 0.10%.

Variable annuities are long-term, tax-deferred investment vehicles that are designed for retirement investing. They offer investment options through subaccounts and insurance features such as annuitization and death benefit options.

Only the subaccounts bolded in the table on the reverse are available through the Vanguard Variable Annuity.

Please reference the Vanguard Variable Insurance Fund prospectus for more information regarding risk.

The Vanguard Variable Annuity is a flexible-premium variable annuity issued by Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (NAIC No. 66281), and in New York State only, by Transamerica Financial Life Insurance Company, Harrison, New York (NAIC No. 70688). Form No. VVAP U 1101 (in Florida, Form No. VVAP U 1101 (FL), in Oregon, Form No. VVAP U 1101 (OR) (R), and in New York, VVA NY 0208(R13)). GLWB Rider Form No. RGMB 43 0811 (in Florida, RGMB 43 0811 (SI)(FL), RGMB 43 0811 (JT)(FL), in Oregon, RGMB 43 0811 (SI)(OR), RGMB 43 0811 (JT)(OR), and in New York, RGMB 43 0811 (SI)(NY) (REV), RGMB 43 0811 (JT)(NY) (REV)), without agent representation. Policy and rider form numbers may vary by state and may not be available in all states. The Vanguard Group administers the Vanguard Variable Annuity for the issuer. Its variable annuity and investment costs rank among the lowest in the industry, according to Morningstar, Inc., December 2016. The Vanguard Group, Transamerica Premier Life Insurance Company, and Transamerica Financial Life Insurance Company do not provide tax advice. Investors are encouraged to consult a tax advisor for information on how annuity taxation applies to their individual situations.

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For more information about the Vanguard Variable Annuity, visit vanguard.com or call 800-522-5555 to obtain fund and variable annuity contract prospectuses. Investment objectives, risks, charges, expenses, and other important information about the product are contained in the prospectus; read and consider it carefully before investing.

Vanguard®

Annual Report | December 31, 2017

Vanguard Variable Insurance Fund

High Yield Bond Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

A Message from Vanguard's Chairman

Dear Planholder,

Lately I've been asked a lot about my legacy. And candidly, that phrase bugs me—it isn't my legacy. Vanguard's success is a result of thousands of my colleagues committing to a clear mission: helping investors achieve their financial goals.

The reason the topic has come up is that on December 31, 2017, I officially stepped down as Vanguard's CEO after almost a decade in that role. I'll remain chairman for a period to be determined by the board of directors. Tim Buckley, who was previously Vanguard's president and chief investment officer, was elected CEO. I can't think of a better successor.

I've spent 32 years at Vanguard—almost my entire professional life—and during that time I've had the good fortune of working with smart, principled colleagues from across the world. I've learned from each of them.

In particular, I would like to thank Jack Bogle, our founder, who took a chance on me when I was a young business school graduate, and Jack Brennan, my predecessor as CEO, who constantly challenged me with new roles and responsibilities.

When you're just starting out, there is nothing quite like getting votes of confidence from people you respect.

The short list

A milestone like this naturally brings about some reflection. With that in mind, here's a tally—by no means exhaustive—of the accomplishments that *we* at Vanguard are proud of:

Low costs. Over the last decade, we cut our average asset-weighted expense ratio by about 50%.[1] This isn't a result of some contrived price war. Since its founding, Vanguard has emphasized the benefits of low-cost investing. As Jack Bogle once said: "The honest steward who charges least, wins most. But not for himself; for those investors who entrust their assets to his care. It is not all that complicated."

Global diversification. Through our thought leadership and investment options, such as our target-date funds, Vanguard has encouraged clients to obtain exposure to international markets.

Global diversification isn't just about helping to control risk—it can also be a way of expanding your set of opportunities and harnessing the potential of all markets.

I've been glad to see more and more clients embracing global diversification. I believe this trend will continue as Vanguard's way of investing takes hold in international markets.

Affordable advice. In the wake of the 2008–2009 Global Financial Crisis, we began working on a new advice model. In 2015, we launched Vanguard Personal Advisor Services®, a hybrid advice offering that delivers value through a combination of a professional advisor and powerful digital technology at a competitive price.

Across the industry, we've seen the cost of providing advice coming down. Traditional advisors are embracing low-cost investments, and that, in turn, helps them reduce costs for their own clients. This is a trend that all of us at Vanguard would like to see continue.

Great people. I've interacted with hundreds of companies of all sizes and in all industries, and the one quality that sets Vanguard apart from most of them is our emphasis on people. It's a testament to our culture that colleagues spend 15, 20, or, as in my case, more than 30 years of their professional lives here. Investors benefit because we have consistent, experienced fund management teams and a deep bench of talent that ensures that things go smoothly when it's time for a transition.

We've done a great job attracting new talent, too. We made some notable additions to senior management in the last two years, and we're continuously grooming our next generation of leaders.

Ready for what comes next

When I was contemplating coming to work at Vanguard, I sat down with my rowing coach at his home in Philadelphia. Over cheesesteaks, he told me that the most important thing was to work for a company that had the same values I held deeply. He was like a second father to me, so I trusted his judgment at a time when I wasn't so sure about my own. Back then, I never could have anticipated the success Vanguard would have in the coming decades.

I'm no better at predicting the future now. Vanguard has enjoyed significant growth in the last few years, and that presents its own unique set of challenges and opportunities, such as the role we're

1 Source: Vanguard calculation, based on data from Morningstar, Inc., as of December 31, 2016.

playing in advocating for better corporate governance among companies our funds invest in. And the asset management industry is confronting significant changes brought on by technology, shifting demographics, and new regulations.

Although the future is uncertain, I'm confident that Vanguard is well-prepared to tackle whatever comes its way. And one thing I'm sure of: There are big parts of the world that would be well-served by our way of investing.

It's humbling to think about the impact the work we do at Vanguard has on clients who are trying to raise a family, buy a first home, save for college, or prepare for retirement. I've always tried to make decisions with investors' best interests in mind. It has been a privilege working with people who hold to that same ideal.

Thank you for entrusting us with your assets.

Sincerely,

F. William McNabb III
Chairman
January 1, 2018

Market Perspective

U.S. stocks posted record highs as earnings and economy clicked

U.S. stocks generated robust results for the 12 months ended December 31, 2017, powered by rising corporate earnings, investors' willingness to pay more for those earnings, and broad-based global economic expansion. For the ninth straight calendar year, U.S. stocks recorded gains when dividends are factored into returns. The Federal Reserve acknowledged the health of the economy, raising interest rates in December for the third time in 2017.

The broad U.S. stock market reached numerous record highs and finished the year up 21.13%. Stocks also benefited from the passage of tax-reform legislation and the possibility of less government regulation and more fiscal stimulus in the form of infrastructure spending.

Growth stocks widely exceeded their value counterparts, while large-capitalization stocks surpassed small-caps. Nine of the 11 industry sectors advanced. Information technology climbed about 37%, while materials, health care, industrials, and financials also rose more than 20%. Telecommunication services and energy were the only sectors to decline.

International stocks fared even better than their U.S. brethren, returning 27.11%—a result that was enhanced for U.S. investors by the dollar's weakness against a number of foreign currencies. Investors were also attracted to international stocks' relatively inexpensive valuations. Emerging-market stocks led those from the developed markets of Europe and the Pacific region, but gains were notable across the board.

Demand from investors helped boost bond prices

The Fed's three interest rate increases in 2017 didn't dissuade investors, who requested bonds even as stocks continued to surge. Inflation expectations were generally muted, which contributed to lower yields for longer-dated U.S. Treasuries and thus to higher bond prices. (Bond prices and yields move in opposite directions.) Bonds also drew support from various central banks' accommodative monetary policies.

The broad U.S. bond market returned 3.54% for the period. Investment-grade corporate bonds outperformed Treasuries and mortgage-backed securities. The yield of the benchmark 10-year Treasury note dipped slightly, closing December at 2.41%, from 2.45% a year earlier.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 10.51%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds. The Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged) returned 2.57%.

Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2017		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	21.69%	11.23%	15.71%
Russell 2000 Index (Small-caps)	14.65	9.96	14.12
Russell 3000 Index (Broad U.S. market)	21.13	11.12	15.58
FTSE All-World ex US Index (International)	27.11	8.27	7.19
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	3.54%	2.24%	2.10%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	5.45	2.98	3.02
Citigroup Three-Month U.S. Treasury Bill Index	0.84	0.37	0.23
CPI			
Consumer Price Index	2.11%	1.64%	1.43%

Vanguard® High Yield Bond Portfolio

Advisor's Report

The investment environment

For the 12 months ended December 31, 2017, the portfolio returned 7.00%, compared with 6.60% for its benchmark index. High-yield markets benefited from strong global economic data, positive earnings trends, and continued demand for yield-producing assets. Monetary policy stayed on an incrementally less accommodative path as the Federal Reserve raised interest rates three times and began trimming its balance sheet.

Despite the rate hikes, the 10-year U.S. Treasury yield declined to 2.41% by the end of December, from 2.45% a year earlier, as bouts of elevated political uncertainty and serial disappointments in inflation data helped contain any increase in government bond yields. This dynamic modestly boosted bond prices, as yields and prices generally move in opposite directions.

Corporate credit markets faced uncertainty about U.S. health care policy and concerns about prospects for retailers, but generally solid corporate earnings and the continued demand for yield-producing assets supported credit markets, and credit spreads tightened further. The spread of the high-yield market tightened to 343 basis points over Treasuries as of December 31, from 409 basis points at the end of 2016. (A basis point is one one-hundredth of a percentage point.) The average price of high-yield bonds increased $1, to $101.

Over the 12 months, there was some dispersion in performance by credit quality. The high-yield market continued to favor relatively lower-credit-quality bonds amid the insatiable search for yield. CCC-rated bonds performed best, returning 10.38%, according to Bloomberg Barclays U.S. Corporate High Yield Bond Index data. Higher-rated BB bonds generated gains of 7.32%; B-rated bonds returned 6.49%.

We remain positive on high yield given the backdrop of stable corporate fundamentals, a supportive macroeconomic landscape, and strong demand for yield-producing assets. We expect U.S. GDP to grow in 2018, driven by consumer spending and corporate investment, and believe that most high-yield companies will be able to sustain solid credit profiles in that environment.

Although global political risks remain, valuations appear reasonable relative to our outlook, particularly given that we expect a benign default rate over 2018. Moody's trailing 12-month global issuer-weighted speculative-grade default rate ended November at 3.0%, below the long-term average of 4.2%. Although bouts of volatility may persist, we continue to take a long-term, issuer-specific approach to finding opportunities in this market.

We are particularly positive on conditions in the United States, and we favor issuers that are expected to benefit from a growing domestic economy. Of note, the sweeping tax-reform bill that Congress passed in December will affect the market and individual companies. The new tax law provides fiscal stimulus at a time of full employment, which could further spur GDP growth. The law will affect companies differently depending on their current tax rate, leverage profile, and other factors. So we expect there will be winners and losers among individual high-yield issuers, and we will continue to take an issuer-specific approach to investing in the high-yield market.

Longer-term, we believe the tax bill could have the overall net effect of reducing corporate debt issuance—a supply reduction that could support bond prices going forward.

Total Returns

	Year Ended December 31, 2017	Ten Years Ended December 31, 2017 Average Annual Return
Vanguard High Yield Bond Portfolio	7.00%	6.61%
High-Yield Corporate Composite Index[1]	6.60	7.18
Variable Insurance High Yield Funds Average[2]	6.42	5.72

The figures shown represent past performance, which is not a guarantee of future results. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

Expense Ratios[3]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance High Yield Funds Average
High Yield Bond Portfolio	0.28%	0.86%

1 Consists of 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg Barclays U.S. 1–5 Year Treasury Bond Index.

2 Derived from data provided by Lipper, a Thomson Reuters Company.

3 The portfolio expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the portfolio's expense ratio was 0.28%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

The portfolio's shortfalls

Positioning and security selection in the utilities sector detracted from relative returns. Selection in consumer products also hurt.

The portfolio's successes

The portfolio benefited from an underweight allocation to and positive credit selection among wirelines and retail businesses, as well as positive credit selection in the pharmaceuticals industry.

The portfolio's positioning

The portfolio remains consistent in its investment objective and strategy and maintains a meaningful exposure to relatively higher-quality companies in the high-yield market. We believe that these companies have more stable credit profiles and more predictable cash flows than those at the lower end of the quality spectrum. We prefer higher-quality credits in an effort to minimize defaults and provide stable income. We continue to diversify the portfolio's holdings by issuer and industry. We also continue to deemphasize non-cash-paying securities, preferred stocks, and equity-linked securities, such as convertibles, because of their potential for volatility.

Michael L. Hong, CFA
Managing Director and
Fixed Income Portfolio Manager

Wellington Management Company LLP

January 26, 2018

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*
The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	1,944,141,093	99,613,853	95.1%
Emerson U. Fullwood	1,941,634,789	102,120,157	95.0%
Amy Gutmann	1,936,277,120	107,477,826	94.7%
JoAnn Heffernan Heisen	1,932,975,342	110,779,604	94.6%
F. Joseph Loughrey	1,942,078,522	101,676,424	95.0%
Mark Loughridge	1,945,099,950	98,654,996	95.2%
Scott C. Malpass	1,936,871,738	106,883,208	94.8%
F. William McNabb III	1,943,389,639	100,365,307	95.1%
Deanna Mulligan	1,935,898,722	107,856,224	94.7%
André F. Perold	1,929,764,167	113,990,779	94.4%
Sarah Bloom Raskin	1,932,581,664	111,173,282	94.6%
Peter F. Volanakis	1,939,733,490	104,021,455	94.9%

* Results are for all funds within the same trust.

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.
This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
High Yield Bond Portfolio	54,862,158	3,812,442	3,156,734	0	88.7%

Portfolio Profile

As of December 31, 2017

Financial Attributes

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Bonds	490	1,830	2,054
Yield[3]	4.7%	4.9%	5.7%
Yield to Maturity	5.2%[4]	5.2%	6.2%
Average Coupon	5.9%	5.9%	6.4%
Average Effective Maturity	5.0 years	4.9 years	4.8 years
Average Duration	4.0 years	3.9 years	3.9 years
Expense Ratio[5]	0.28%	—	—
Short-Term Reserves	8.1%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.98	0.95
Beta	0.90	0.74

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	8.2%
1–5 Years	24.9
5–10 Years	56.9
10–20 Years	4.7
20–30 Years	3.0
Over 30 Years	2.3

Sector Diversification[6] (% of portfolio)

Basic Industry	6.6%
Capital Goods	8.8
Communication	22.0
Consumer Cyclical	11.0
Consumer Non-Cyclical	12.3
Energy	13.9
Finance	10.0
Technology	7.8
Transportation	2.0
Treasury/Agency	0.2
Utilities	2.0
Other	3.4

Distribution by Credit Quality (% of portfolio)

Baa	4.7%
Ba	47.8
B	38.2
Caa	8.5
C	0.6
Not Rated	0.2

Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/ Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 High-Yield Corporate Composite Index.

2 Bloomberg Barclays U.S. Corporate High Yield Bond Index.

3 30-day SEC yield for the portfolio; index yield assumes that all bonds are called or prepaid at the earliest possible dates.

4 Before expenses.

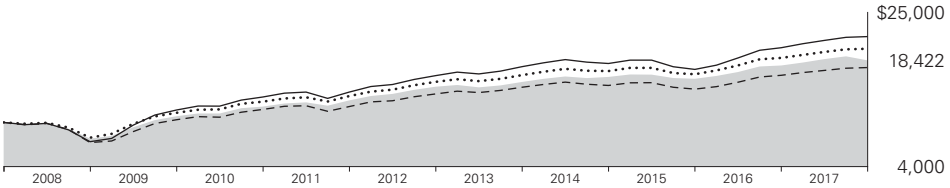
5 The portfolio expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the portfolio's expense ratio was 0.28%.

6 The agency sector may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

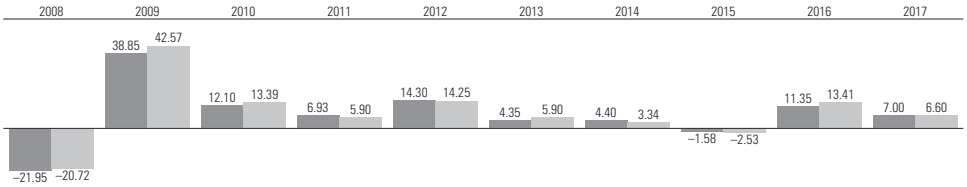
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Cumulative Performance: December 31, 2007–December 31, 2017
Initial Investment of $10,000



	Average Annual Total Returns Periods Ended December 31, 2017			Final Value of a $10,000 Investment
	One Year	Five Years	Ten Years	
High Yield Bond Portfolio	7.00%	5.02%	6.61%	$18,422
High-Yield Corporate Composite Index[1]	6.60	5.22	7.18	19,997
Variable Insurance High Yield Bond Funds Average[2]	6.42	4.70	5.72	17,449
Bloomberg Barclays U.S. Corporate High Yield Bond Index	7.50	5.78	8.03	21,653

Fiscal-Year Total Returns (%): December 31, 2007–December 31, 2017



High Yield Bond Portfolio
High-Yield Corporate Composite Index[1]

1 Consists of 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg Barclays U.S. 1–5 Year Treasury Bond Index.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
See Financial Highlights for dividend and capital gains information.

Financial Statements

Statement of Net Assets

As of December 31, 2017

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back of the report for further information).

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Corporate Bonds (90.7%)					
Finance (9.4%)					
Banking (2.4%)					
	Ally Financial Inc.	4.625%	5/19/22	105	109
	Ally Financial Inc.	5.125%	9/30/24	480	521
	Ally Financial Inc.	4.625%	3/30/25	885	932
	Ally Financial Inc.	5.750%	11/20/25	1,665	1,804
	Ally Financial Inc.	8.000%	11/1/31	215	280
[1]	Banco Bilbao Vizcaya Argentaria SA	6.125%	2/16/66	1,600	1,646
[1]	BNP Paribas SA	6.750%	3/14/66	1,805	1,952
[1]	Credit Suisse AG	6.250%	12/31/50	3,420	3,706
[1]	ING Groep NV	6.875%	4/16/66	1,710	1,866
	Royal Bank of Scotland Group plc	6.125%	12/15/22	1,635	1,788
[1]	UBS Group AG	6.875%	3/22/66	3,360	3,599
Finance Companies (4.0%)					
[1,2]	AerCap Global Aviation Trust	6.500%	6/15/45	3,950	4,305
	Aircastle Ltd.	5.125%	3/15/21	30	32
	Aircastle Ltd.	5.500%	2/15/22	830	889
	Aircastle Ltd.	5.000%	4/1/23	715	754
	Aircastle Ltd.	4.125%	5/1/24	1,860	1,888
	CIT Group Inc.	5.375%	5/15/20	189	199
	CIT Group Inc.	5.000%	8/15/22	1,205	1,277
	Navient Corp.	8.000%	3/25/20	1,190	1,287
	Navient Corp.	6.625%	7/26/21	315	333
	Navient Corp.	7.250%	1/25/22	615	657
	Navient Corp.	6.500%	6/15/22	4,450	4,661
	Navient Corp.	5.500%	1/25/23	2,325	2,319
	Navient Corp.	7.250%	9/25/23	590	633
	Navient Corp.	6.750%	6/25/25	4,850	5,008
	Springleaf Finance Corp.	5.250%	12/15/19	210	216
	Springleaf Finance Corp.	6.000%	6/1/20	65	67
	Springleaf Finance Corp.	8.250%	12/15/20	2,300	2,539
	Springleaf Finance Corp.	7.750%	10/1/21	1,965	2,174
	Springleaf Finance Corp.	6.125%	5/15/22	385	400
	Springleaf Finance Corp.	8.250%	10/1/23	515	576
Insurance (1.8%)					
	Genworth Holdings Inc.	7.700%	6/15/20	270	272
	Genworth Holdings Inc.	7.200%	2/15/21	830	812
	Genworth Holdings Inc.	7.625%	9/24/21	760	746
	Genworth Holdings Inc.	4.900%	8/15/23	1,475	1,261
	Genworth Holdings Inc.	4.800%	2/15/24	520	443
[2]	Liberty Mutual Group Inc.	7.800%	3/15/37	1,560	1,983
	LifePoint Health Inc.	5.875%	12/1/23	1,635	1,655
	MGIC Investment Corp.	5.750%	8/15/23	725	791
	Radian Group Inc.	5.250%	6/15/20	142	150
	Radian Group Inc.	7.000%	3/15/21	555	620
	Radian Group Inc.	4.500%	10/1/24	2,145	2,196
[1]	Voya Financial Inc.	5.650%	5/15/53	2,725	2,892
Other Finance (0.7%)					
	CNO Financial Group Inc.	4.500%	5/30/20	150	154
	CNO Financial Group Inc.	5.250%	5/30/25	1,865	1,965
[2,3]	Lincoln Finance Ltd.	6.875%	4/15/21	265	332
[2]	Lincoln Finance Ltd.	7.375%	4/15/21	485	508
	Nationstar Mortgage LLC / Nationstar Capital Corp.	6.500%	7/1/21	1,947	1,974
Real Estate Investment Trusts (0.5%)					
	Felcor Lodging LP	5.625%	3/1/23	2,325	2,395
	Felcor Lodging LP	6.000%	6/1/25	1,400	1,477
					71,043
Industrial (79.6%)					
Basic Industry (6.2%)					
	AK Steel Corp.	7.625%	10/1/21	355	368
	AK Steel Corp.	7.500%	7/15/23	2,395	2,593
	AK Steel Corp.	6.375%	10/15/25	300	296
	AK Steel Corp.	7.000%	3/15/27	2,170	2,208
[2]	Alliance Resource Operating Partners LP / Alliance Resource Finance Corp.	7.500%	5/1/25	1,577	1,664
[2]	Anglo American Capital plc	4.125%	4/15/21	855	880
[2]	Anglo American Capital plc	4.125%	9/27/22	665	684
[2]	Anglo American Capital plc	4.875%	5/14/25	850	898
[2]	Anglo American Capital plc	4.750%	4/10/27	675	704
	ArcelorMittal	6.125%	6/1/25	670	769
	Chemours Co.	6.625%	5/15/23	2,565	2,712
	Chemours Co.	7.000%	5/15/25	2,340	2,539
	Chemours Co.	5.375%	5/15/27	625	648
	Commercial Metals Co.	5.375%	7/15/27	565	576
[2]	Constellium NV	5.750%	5/15/24	1,085	1,107
[2]	Constellium NV	6.625%	3/1/25	2,485	2,612
[2,3]	Constellium NV	4.250%	2/15/26	120	144
[2]	Constellium NV	5.875%	2/15/26	260	265
[2,3]	CTC BondCo GmbH	5.250%	12/15/25	425	508
[2]	First Quantum Minerals Ltd.	7.000%	2/15/21	1,820	1,884
[2]	First Quantum Minerals Ltd.	7.250%	5/15/22	1,580	1,657
[2]	FMG Resources August 2006 Pty Ltd.	4.750%	5/15/22	635	643
[2]	FMG Resources August 2006 Pty Ltd.	5.125%	5/15/24	610	619
[2]	New Gold Inc.	6.250%	11/15/22	1,149	1,186
[2]	New Gold Inc.	6.375%	5/15/25	695	732
[2]	Novelis Corp.	6.250%	8/15/24	1,580	1,647
[2]	Novelis Corp.	5.875%	9/30/26	1,885	1,932
	Olin Corp.	5.125%	9/15/27	1,685	1,769
	Steel Dynamics Inc.	5.125%	10/1/21	1,320	1,351
	Steel Dynamics Inc.	5.500%	10/1/24	1,275	1,348
[2]	Steel Dynamics Inc.	4.125%	9/15/25	70	70
	Steel Dynamics Inc.	5.000%	12/15/26	270	285
	Teck Resources Ltd.	3.750%	2/1/23	295	296
[2]	Teck Resources Ltd.	8.500%	6/1/24	1,395	1,576
	Teck Resources Ltd.	6.125%	10/1/35	235	263
	Teck Resources Ltd.	6.000%	8/15/40	200	222
	Teck Resources Ltd.	6.250%	7/15/41	645	733
	Teck Resources Ltd.	5.200%	3/1/42	150	149
	Teck Resources Ltd.	5.400%	2/1/43	1,450	1,461
	United States Steel Corp.	7.375%	4/1/20	1,034	1,124
[2]	United States Steel Corp.	8.375%	7/1/21	2,100	2,279
	United States Steel Corp.	6.650%	6/1/37	460	449
[2]	Versum Materials Inc.	5.500%	9/30/24	640	682
	Westlake Chemical Corp.	4.875%	5/15/23	230	238
Capital Goods (8.4%)					
[2]	ARD Finance SA	7.125%	9/15/23	1,140	1,193
	ARD Finance SA	7.125%	9/15/23	655	685
[2]	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,415	1,539
[2]	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	6.000%	2/15/25	2,615	2,749

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[2,4] Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	4.750%	7/15/27	160	218
[2] Ashtead Capital Inc.	4.125%	8/15/25	1,325	1,338
[2] Ashtead Capital Inc.	4.375%	8/15/27	1,325	1,348
[2] Beacon Escrow Corp.	4.875%	11/1/25	2,060	2,070
[2] Bombardier Inc.	7.750%	3/15/20	2,350	2,526
[2] CD&R Waterworks Merger Sub LLC	6.125%	8/15/25	160	162
[2] Cemex Finance LLC	6.000%	4/1/24	290	307
[2] Cemex SAB de CV	6.125%	5/5/25	3,580	3,820
[2] Cemex SAB de CV	7.750%	4/16/26	735	831
Clean Harbors Inc.	5.250%	8/1/20	1,592	1,608
Clean Harbors Inc.	5.125%	6/1/21	2,033	2,056
CNH Industrial Capital LLC	4.875%	4/1/21	1,155	1,211
CNH Industrial Capital LLC	4.375%	4/5/22	700	725
CNH Industrial NV	4.500%	8/15/23	2,320	2,413
[2] Flex Acquisition Co. Inc.	6.875%	1/15/25	3,770	3,892
[2] Jeld-Wen Inc.	4.625%	12/15/25	225	227
[2] Jeld-Wen Inc.	4.875%	12/15/27	350	354
[2,3] Loxam SAS	4.250%	4/15/24	190	243
[2,3] Loxam SAS	6.000%	4/15/25	185	242
Meritage Homes Corp.	5.125%	6/6/27	505	513
[2] OI European Group BV	4.000%	3/15/23	660	658
[2] Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	963
[2] Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	398
PulteGroup Inc.	5.500%	3/1/26	1,245	1,354
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	955	969
[2] Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	1,490	1,535
[2] Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	472
[2] Signode Industrial Group Lux SA/ Signode Industrial Group US Inc.	6.375%	5/1/22	2,793	2,919
[2] Standard Industries Inc.	5.500%	2/15/23	295	307
[2] Standard Industries Inc.	5.375%	11/15/24	1,085	1,128
[2] Standard Industries Inc.	6.000%	10/15/25	4,295	4,585
[2] Standard Industries Inc.	5.000%	2/15/27	495	507
[2] Standard Industries Inc.	4.750%	1/15/28	1,025	1,026
TransDigm Inc.	6.500%	7/15/24	1,600	1,640
TransDigm Inc.	6.500%	5/15/25	2,635	2,694
TransDigm Inc.	6.375%	6/15/26	350	355
United Rentals North America Inc.	4.625%	7/15/23	840	868
United Rentals North America Inc.	5.500%	7/15/25	1,025	1,083
United Rentals North America Inc.	4.625%	10/15/25	1,065	1,073
United Rentals North America Inc.	5.875%	9/15/26	1,215	1,297
United Rentals North America Inc.	5.500%	5/15/27	2,125	2,239
United Rentals North America Inc.	4.875%	1/15/28	2,095	2,108
[2] USG Corp.	5.500%	3/1/25	263	279
[2] USG Corp.	4.875%	6/1/27	465	483
Communication (20.0%)				
[2] Altice Financing SA	6.625%	2/15/23	1,365	1,423
[2] Altice Luxembourg SA	7.625%	2/15/25	1,200	1,149
[2] Altice US Finance I Corp.	5.500%	5/15/26	2,500	2,541
Belo Corp.	7.750%	6/1/27	205	230
Belo Corp.	7.250%	9/15/27	616	685
CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	254
CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	374
CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	408
[2] 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	1,184
CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	145	149
[2] CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,141	2,184
[2] CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,506
[2] CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,386	1,417
[2] CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	445	459
[2] Cequel Communications Holdings I LLC / Cequel Capital Corp.	5.125%	12/15/21	1,935	1,930
Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	1,191	1,393
CSC Holdings LLC	8.625%	2/15/19	1,345	1,419
CSC Holdings LLC	6.750%	11/15/21	1,735	1,865
[2] CSC Holdings LLC	5.500%	4/15/27	2,230	2,275
DISH DBS Corp.	6.750%	6/1/21	3,805	4,024
DISH DBS Corp.	5.875%	7/15/22	4,046	4,066
DISH DBS Corp.	5.000%	3/15/23	1,384	1,318
DISH DBS Corp.	5.875%	11/15/24	2,405	2,339
DISH DBS Corp.	7.750%	7/1/26	3,610	3,800
Embarq Corp.	7.995%	6/1/36	720	701
Gannett Co. Inc.	5.125%	7/15/20	1,995	2,042
[2] Gannett Co. Inc.	4.875%	9/15/21	410	418
Gannett Co. Inc.	6.375%	10/15/23	1,150	1,205
[2] Gannett Co. Inc.	5.500%	9/15/24	320	338
[2] Gray Television Inc.	5.125%	10/15/24	1,751	1,747
[2] Gray Television Inc.	5.875%	7/15/26	820	840
Lamar Media Corp.	5.000%	5/1/23	1,070	1,102
Lamar Media Corp.	5.375%	1/15/24	115	120
Lamar Media Corp.	5.750%	2/1/26	170	182
Level 3 Financing Inc.	5.375%	8/15/22	2,515	2,540
Level 3 Financing Inc.	5.625%	2/1/23	870	877
Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,119
Liberty Interactive LLC	8.500%	7/15/29	1,465	1,619
Liberty Interactive LLC	8.250%	2/1/30	3,945	4,290
Netflix Inc.	5.500%	2/15/22	980	1,030
Netflix Inc.	5.875%	2/15/25	2,995	3,182
Netflix Inc.	4.375%	11/15/26	1,265	1,237
Nokia Oyj	4.375%	6/12/27	600	590
[2] Numericable Group SA	6.000%	5/15/22	1,575	1,595
[2] Numericable-SFR SA	7.375%	5/1/26	1,450	1,493
Quebecor Media Inc.	5.750%	1/15/23	2,385	2,534
Qwest Corp.	6.875%	9/15/33	481	463
SBA Communications Corp.	4.875%	7/15/22	1,545	1,586
[2] SFR Group SA	6.250%	5/15/24	550	550
[2] Sinclair Television Group Inc.	5.625%	8/1/24	200	206
[2] Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,836
[2] Sinclair Television Group Inc.	5.125%	2/15/27	1,975	1,958
[†,5,6] Sinclair Television Group Inc. Bank Loan	0.000%	12/12/24	1,470	1,469
[2] Sirius XM Radio Inc.	4.625%	5/15/23	390	400
[2] Sirius XM Radio Inc.	6.000%	7/15/24	1,193	1,262
[2] Sirius XM Radio Inc.	5.375%	4/15/25	382	398
Sprint Capital Corp.	6.875%	11/15/28	4,425	4,447
Sprint Capital Corp.	8.750%	3/15/32	1,005	1,144
[2] Sprint Communications Inc.	7.000%	3/1/20	2,075	2,218
Sprint Communications Inc.	6.000%	11/15/22	325	324
Sprint Corp.	7.875%	9/15/23	9,019	9,605
Sprint Corp.	7.125%	6/15/24	2,101	2,138
Sprint Corp.	7.625%	2/15/25	1,625	1,698
T-Mobile USA Inc.	5.375%	4/15/27	2,945	3,140
Telecom Italia Capital SA	6.375%	11/15/33	381	441
Telecom Italia Capital SA	6.000%	9/30/34	1,005	1,117
Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,646
[2] Telecom Italia SpA	5.303%	5/30/24	300	321
[2] Telenet Finance Luxembourg Notes Sarl	5.500%	3/1/28	3,200	3,214
Time Warner Cable LLC	5.875%	11/15/40	60	65
Time Warner Cable LLC	5.500%	9/1/41	1,523	1,590
[5,6] Tribune Company Bank Loan	4.569%	12/27/20	116	116

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
5,6	Tribune Company Bank Loan	4.569%	1/27/24	1,440	1,442
	Tribune Media Co.	5.875%	7/15/22	1,945	1,998
2	Univision Communications Inc.	5.125%	5/15/23	550	550
2	Univision Communications Inc.	5.125%	2/15/25	6,040	5,889
1	Viacom Inc.	5.875%	2/28/57	2,208	2,147
1	Viacom Inc.	6.250%	2/28/57	1,215	1,192
	Videotron Ltd.	5.000%	7/15/22	3,763	3,961
2	Videotron Ltd.	5.375%	6/15/24	260	281
2	Virgin Media Finance plc	6.000%	10/15/24	550	564
2	Virgin Media Secured Finance plc	5.500%	1/15/25	610	625
2	Virgin Media Secured Finance plc	5.250%	1/15/26	1,525	1,544
2	Virgin Media Secured Finance plc	5.500%	8/15/26	355	362
2	VTR Finance BV	6.875%	1/15/24	2,720	2,863
2	WMG Acquisition Corp.	6.750%	4/15/22	2,462	2,573
2	WMG Acquisition Corp.	5.000%	8/1/23	740	764
2	WMG Acquisition Corp.	4.875%	11/1/24	1,105	1,141
	Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,443
	Zayo Group LLC / Zayo Capital Inc.	6.375%	5/15/25	1,674	1,777
2	Zayo Group LLC / Zayo Capital Inc.	5.750%	1/15/27	445	456
	Consumer Cyclical (9.8%)				
2	1011778 BC ULC / New Red Finance Inc.	4.250%	5/15/24	1,755	1,751
2	1011778 BC ULC / New Red Finance Inc.	5.000%	10/15/25	2,495	2,520
2	Adient Global Holdings Ltd.	4.875%	8/15/26	3,860	3,966
2	APX Group Inc.	8.875%	12/1/22	4,155	4,487
5,6	Bass Pro Group, LLC Bank Loan	6.569%	12/15/23	483	480
5,6	Bass Pro Group, LLC Bank Loan	6.569%	12/15/23	1,452	1,443
	CalAtlantic Group Inc.	5.875%	11/15/24	140	156
	CalAtlantic Group Inc.	5.250%	6/1/26	270	286
	CalAtlantic Group Inc.	5.000%	6/15/27	1,245	1,292
2	Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp. / Millennium Op	5.375%	4/15/27	775	815
	Cedar Fair LP / Canada's Wonderland Co. / MagnumManagement Corp.	5.375%	6/1/24	835	875
2	CRC Escrow Issuer LLC / CRC Finco Inc.	5.250%	10/15/25	3,486	3,512
	Dana Holding Corp.	5.500%	12/15/24	1,055	1,113
	GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	108
	GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,831
	GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,810	1,941
	Goodyear Tire & Rubber Co.	5.000%	5/31/26	1,614	1,656
	Goodyear Tire & Rubber Co.	4.875%	3/15/27	3,278	3,348
	Group 1 Automotive Inc.	5.000%	6/1/22	1,335	1,375
2	Group 1 Automotive Inc.	5.250%	12/15/23	1,055	1,091
2	GW Honos Security Corp.	8.750%	5/15/25	1,385	1,489
2	Hanesbrands Inc.	4.625%	5/15/24	730	746
2	Hanesbrands Inc.	4.875%	5/15/26	735	752
	Hilton Domestic Operating Co. Inc.	4.250%	9/1/24	1,770	1,788
	Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.625%	4/1/25	3,025	3,120
	Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.875%	4/1/27	1,870	1,949
	KB Home	4.750%	5/15/19	830	845
	KB Home	8.000%	3/15/20	120	131
	KB Home	7.000%	12/15/21	230	255
	KB Home	7.500%	9/15/22	215	245
	KB Home	7.625%	5/15/23	1,300	1,489
2	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	815	844
2	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	872	920
2	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.750%	6/1/27	935	956
	L Brands Inc.	6.625%	4/1/21	1,430	1,569
5,6	La Quinta Intermediate Holdings LLC Bank Loan	4.109%	4/14/21	1,806	1,814
	Lennar Corp.	4.125%	1/15/22	1,015	1,035
	Lennar Corp.	4.875%	12/15/23	625	655
	Lennar Corp.	4.500%	4/30/24	2,075	2,137
2	Lennar Corp.	4.750%	11/29/27	1,285	1,319
	Neiman Marcus Group Inc.	7.125%	6/1/28	1,820	1,110
	Penske Automotive Group Inc.	5.375%	12/1/24	1,113	1,130
	PulteGroup Inc.	5.000%	1/15/27	130	136
	Service Corp. International	8.000%	11/15/21	1,225	1,427
	Service Corp. International	5.375%	1/15/22	905	928
	Service Corp. International/US	4.625%	12/15/27	205	208
2	Shea Homes LP / Shea Homes Funding Corp.	5.875%	4/1/23	450	467
2	Shea Homes LP / Shea Homes Funding Corp.	6.125%	4/1/25	450	469
	Toll Brothers Finance Corp.	4.875%	11/15/25	295	307
	Toll Brothers Finance Corp.	4.875%	3/15/27	1,955	2,021
	William Lyon Homes Inc.	7.000%	8/15/22	450	464
	William Lyon Homes Inc.	5.875%	1/31/25	1,415	1,443
2	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.500%	3/1/25	1,575	1,634
2	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.250%	5/15/27	1,510	1,527
2	ZF North America Capital Inc.	4.500%	4/29/22	256	269
2	ZF North America Capital Inc.	4.750%	4/29/25	940	996
	Consumer Noncyclical (11.4%)				
	Aramark Services Inc.	5.125%	1/15/24	975	1,021
2	Aramark Services Inc.	5.000%	4/1/25	1,400	1,470
	Aramark Services Inc.	4.750%	6/1/26	580	594
2	Catalent Pharma Solutions Inc.	4.875%	1/15/26	435	437
2	Change Healthcare Holdings LLC / Change Healthcare Finance Inc.	5.750%	3/1/25	1,840	1,840
	CHS/Community Health Systems Inc.	7.125%	7/15/20	1,060	792
	CHS/Community Health Systems Inc.	5.125%	8/1/21	525	473
	CHS/Community Health Systems Inc.	6.875%	2/1/22	5,455	3,130
	CHS/Community Health Systems Inc.	6.250%	3/31/23	3,450	3,105
2,6	Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,845	2,198
2	Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,515	1,962
2	Envision Healthcare Corp.	5.125%	7/1/22	2,806	2,736
	Envision Healthcare Corp.	5.625%	7/15/22	2,645	2,668
	HCA Holdings Inc.	6.250%	2/15/21	1,020	1,086
	HCA Inc.	6.500%	2/15/20	3,875	4,127
	HCA Inc.	5.875%	3/15/22	1,850	1,982
	HCA Inc.	4.750%	5/1/23	2,100	2,173
	HCA Inc.	5.875%	5/1/23	300	321
	HCA Inc.	5.375%	2/1/25	505	524
	HCA Inc.	5.250%	4/15/25	1,500	1,592
	HCA Inc.	7.690%	6/15/25	130	147
	HCA Inc.	5.875%	2/15/26	1,900	2,009
	HCA Inc.	5.250%	6/15/26	975	1,032
2	inVentiv Group Holdings Inc/inVentiv Health Inc/inVentiv Health Clinical Inc.	7.500%	10/1/24	477	515
2	Kinetic Concepts Inc / KCI USA Inc.	7.875%	2/15/21	1,570	1,635
2	Lamb Weston Holdings Inc.	4.625%	11/1/24	1,040	1,071
2	Lamb Weston Holdings Inc.	4.875%	11/1/26	1,040	1,087
5,6	Lands' End, Inc. Bank Loan	4.819%	3/12/21	2,911	2,589
	LifePoint Health Inc.	5.375%	5/1/24	1,463	1,441
2	MEDNAX Inc.	5.250%	12/1/23	580	590
2	MPH Acquisition Holdings LLC	7.125%	6/1/24	1,590	1,693
2	Polaris Intermediate Corp.	8.500%	12/1/22	1,905	1,976
2	Post Holdings Inc.	5.500%	3/1/25	795	821
2	Post Holdings Inc.	5.000%	8/15/26	4,100	4,033
2	Post Holdings Inc.	5.750%	3/1/27	970	987
2	Post Holdings Inc.	5.625%	1/15/28	1,320	1,327
2	Quintiles IMS Inc.	5.000%	10/15/26	1,130	1,158
2	Quintiles Transnational Holdings Inc.	4.875%	5/15/23	750	776
	Revlon Consumer Products Corp.	5.750%	2/15/21	570	430
	Revlon Consumer Products Corp.	6.250%	8/1/24	2,130	1,283
5,6	Revlon Consumer Products Corp. Bank Loan	4.850%	9/7/23	10	7
5,6	Revlon Consumer Products Corp. Bank Loan	5.069%	9/7/23	597	445

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[5,6] Revlon Consumer Products Corp. Bank Loan	5.069%	9/7/23	176	131
[2] Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,915	1,996
[2] Sterigenics-Nordion Topco LLC	8.125%	11/1/21	725	734
Tenet Healthcare Corp.	5.500%	3/1/19	785	797
Tenet Healthcare Corp.	4.750%	6/1/20	835	850
Tenet Healthcare Corp.	4.500%	4/1/21	932	937
Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,520
[2] Tenet Healthcare Corp.	4.625%	7/15/24	279	272
Teva Pharmaceutical Finance IV LLC	2.250%	3/18/20	2,065	1,994
[2] Valeant Pharmaceuticals International Inc.	5.375%	3/15/20	2,445	2,448
[2] Valeant Pharmaceuticals International Inc.	6.500%	3/15/22	620	651
[2] Valeant Pharmaceuticals International Inc.	7.000%	3/15/24	1,390	1,494
[2] Valeant Pharmaceuticals International Inc.	5.500%	11/1/25	945	964
[2] Valeant Pharmaceuticals International Inc.	9.000%	12/15/25	735	766
[2] Vizient Inc.	10.375%	3/1/24	177	199
[2] VRX Escrow Corp.	6.125%	4/15/25	3,190	2,927
[2] West Street Merger Sub Inc.	6.375%	9/1/25	3,700	3,714
Energy (13.6%)				
AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,395	1,444
AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,395	1,437
AmeriGas Partners LP / AmeriGas Finance Corp.	5.500%	5/20/25	620	625
AmeriGas Partners LP / AmeriGas Finance Corp.	5.750%	5/20/27	1,745	1,758
Anadarko Petroleum Corp.	5.550%	3/15/26	145	162
Anadarko Petroleum Corp.	6.200%	3/15/40	731	878
Anadarko Petroleum Corp.	6.600%	3/15/46	240	306
Andeavor	5.125%	4/1/24	996	1,043
[2] Andeavor	5.125%	12/15/26	665	732
Andeavor Logistics LP / Tesoro Logistics Finance Corp.	6.250%	10/15/22	418	443
Andeavor Logistics LP / Tesoro Logistics Finance Corp.	6.375%	5/1/24	1,280	1,390
Andeavor Logistics LP / Tesoro Logistics Finance Corp.	5.250%	1/15/25	1,510	1,587
Antero Resources Corp.	5.125%	12/1/22	1,445	1,478
Cheniere Corpus Christi Holdings LLC	5.125%	6/30/27	1,233	1,275
[2] Chesapeake Energy Corp.	8.000%	6/15/27	2,525	2,430
Continental Resources Inc.	5.000%	9/15/22	3,354	3,404
Continental Resources Inc.	4.500%	4/15/23	2,280	2,323
Continental Resources Inc.	3.800%	6/1/24	505	499
[2] Continental Resources Inc.	4.375%	1/15/28	2,250	2,222
Continental Resources Inc.	4.900%	6/1/44	706	678
[2] DCP Midstream LLC	9.750%	3/15/19	450	487
[2] DCP Midstream LLC	5.350%	3/15/20	335	349
DCP Midstream Operating LP	2.700%	4/1/19	600	598
[2] DCP Midstream Operating LP	4.750%	9/30/21	597	616
DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,493
DCP Midstream Operating LP	3.875%	3/15/23	801	795
DCP Midstream Operating LP	5.600%	4/1/44	875	870
[2,3] Diamond BC BV	5.625%	8/15/25	1,615	1,943
Diamondback Energy Inc.	4.750%	11/1/24	175	176
Diamondback Energy Inc.	5.375%	5/31/25	1,430	1,473
Energy Transfer Equity LP	7.500%	10/15/20	2,460	2,712
Energy Transfer Equity LP	4.250%	3/15/23	2,430	2,406
Energy Transfer Equity LP	5.875%	1/15/24	1,656	1,743
Energy Transfer Equity LP	5.500%	6/1/27	3,350	3,417
Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,560	2,406
Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	1/15/22	474	440
Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	6/15/23	769	700
Kerr-McGee Corp.	6.950%	7/1/24	985	1,161
Kinder Morgan Inc.	7.750%	1/15/32	740	952
Laredo Petroleum Inc.	5.625%	1/15/22	2,107	2,136
Laredo Petroleum Inc.	6.250%	3/15/23	2,158	2,234
Marathon Oil Corp.	3.850%	6/1/25	1,190	1,208
Marathon Oil Corp.	6.800%	3/15/32	250	302
Marathon Oil Corp.	6.600%	10/1/37	300	374
Marathon Oil Corp.	5.200%	6/1/45	395	434
Matador Resources Co.	6.875%	4/15/23	3,090	3,256
[2] MEG Energy Corp.	6.375%	1/30/23	850	729
[2] MEG Energy Corp.	7.000%	3/31/24	1,439	1,220
[2] MEG Energy Corp.	6.500%	1/15/25	2,850	2,814
MPLX LP	4.875%	12/1/24	1,410	1,515
MPLX LP	4.875%	6/1/25	2,685	2,874
Newfield Exploration Co.	5.625%	7/1/24	600	648
[2] NGPL PipeCo LLC	4.375%	8/15/22	400	407
[2] NGPL PipeCo LLC	4.875%	8/15/27	475	493
[2] Parsley Energy LLC / Parsley Finance Corp.	5.375%	1/15/25	1,344	1,359
[2] Parsley Energy LLC / Parsley Finance Corp.	5.250%	8/15/25	190	192
QEP Resources Inc.	6.800%	3/1/20	220	231
QEP Resources Inc.	6.875%	3/1/21	913	987
QEP Resources Inc.	5.375%	10/1/22	670	685
QEP Resources Inc.	5.250%	5/1/23	1,262	1,278
RSP Permian Inc.	5.250%	1/15/25	900	923
Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,399
SESI LLC	7.125%	12/15/21	990	1,012
[2] SESI LLC	7.750%	9/15/24	1,045	1,110
SM Energy Co.	6.500%	11/15/21	100	102
SM Energy Co.	6.125%	11/15/22	935	949
SM Energy Co.	6.500%	1/1/23	75	76
SM Energy Co.	5.000%	1/15/24	1,994	1,919
SM Energy Co.	5.625%	6/1/25	1,151	1,122
SM Energy Co.	6.750%	9/15/26	720	742
[2] Southern Star Central Corp.	5.125%	7/15/22	480	497
[2] Vine Oil & Gas LP / Vine Oil & Gas Finance Corp.	8.750%	4/15/23	1,915	1,867
Weatherford International Ltd.	7.000%	3/15/38	517	438
Weatherford International Ltd.	6.750%	9/15/40	1,918	1,597
Weatherford International Ltd.	5.950%	4/15/42	1,510	1,178
[2] Whiting Petroleum Corp.	6.625%	1/15/26	775	791
Williams Cos. Inc.	7.875%	9/1/21	510	588
Williams Cos. Inc.	3.700%	1/15/23	1,225	1,216
Williams Cos. Inc.	4.550%	6/24/24	681	706
Williams Cos. Inc.	5.750%	6/24/44	1,200	1,275
WPX Energy Inc.	6.000%	1/15/22	2,706	2,828
WPX Energy Inc.	5.250%	9/15/24	3,734	3,725
Other Industrial (0.6%)				
[2] Brand Energy & Infrastructure Services Inc.	8.500%	7/15/25	2,987	3,136
[5,6] HD Supply Waterworks LTD. Bank Loan	4.455%	8/1/24	270	271
[2] KAR Auction Services Inc.	5.125%	6/1/25	1,295	1,328
Technology (7.7%)				
Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,485
Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,505	2,724
[2] Camelot Finance SA	7.875%	10/15/24	2,286	2,437
[2] CDK Global Inc.	4.875%	6/1/27	585	592
CDW LLC / CDW Finance Corp.	5.000%	9/1/23	730	753
CDW LLC / CDW Finance Corp.	5.500%	12/1/24	485	527
CDW LLC / CDW Finance Corp.	5.000%	9/1/25	760	788
Equinix Inc.	5.375%	4/1/23	680	703
Equinix Inc.	5.875%	1/15/26	370	397
[3] Equinix Inc.	2.875%	2/1/26	3,115	3,719
Equinix Inc.	5.375%	5/15/27	1,350	1,446
[2] First Data Corp.	5.375%	8/15/23	2,265	2,358
[2] First Data Corp.	7.000%	12/1/23	5,565	5,885
[2] First Data Corp.	5.000%	1/15/24	1,500	1,545

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[2] First Data Corp.	5.750%	1/15/24	3,901	4,038
[5,6] First Data Corp. Bank Loan	3.802%	7/8/22	590	590
Infor US Inc.	6.500%	5/15/22	3,060	3,171
Iron Mountain Inc.	5.750%	8/15/24	1,032	1,045
[2] Iron Mountain Inc.	4.875%	9/15/27	1,245	1,248
[2] MSCI Inc.	5.250%	11/15/24	395	416
[2] MSCI Inc.	5.750%	8/15/25	1,560	1,675
[2] MSCI Inc.	4.750%	8/1/26	510	534
NCR Corp.	4.625%	2/15/21	2,375	2,381
NCR Corp.	5.875%	12/15/21	145	149
NCR Corp.	5.000%	7/15/22	600	607
NCR Corp.	6.375%	12/15/23	455	475
Nokia Oyj	6.625%	5/15/39	3,550	3,923
[2] Open Text Corp.	5.625%	1/15/23	1,070	1,113
[2] Open Text Corp.	5.875%	6/1/26	1,345	1,446
Pitney Bowes Inc.	4.700%	4/1/23	1,895	1,739
[2] Sensata Technologies BV	5.625%	11/1/24	575	631
[2] Sensata Technologies BV	5.000%	10/1/25	1,625	1,727
[2] Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,647
SS&C Technologies Holdings Inc.	5.875%	7/15/23	890	938
[2] Symantec Corp.	5.000%	4/15/25	1,920	2,006
[2,4] Vantiv LLC / Vanity Issuer Corp.	3.875%	11/15/25	890	1,214
[2] Vantiv LLC / Vanity Issuer Corp.	4.375%	11/15/25	240	243
Transportation (1.9%)				
[2] Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.125%	6/1/22	1,876	1,902
Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,328	2,386
[2] Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	715	745
[2] Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.250%	3/15/25	980	970
Hertz Corp.	5.875%	10/15/20	1,330	1,328
Hertz Corp.	7.375%	1/15/21	2,230	2,252
[2] Hertz Corp.	7.625%	6/1/22	830	874
[2] Hertz Corp.	5.500%	10/15/24	3,835	3,476
				598,741
Utilities (1.7%)				
Electric (1.7%)				
AES Corp.	4.875%	5/15/23	600	613
AES Corp.	5.500%	3/15/24	4,236	4,405
AES Corp.	5.500%	4/15/25	150	158
AES Corp.	5.125%	9/1/27	1,285	1,356
[2] NextEra Energy Operating Partners LP	4.250%	9/15/24	645	655
[2] NextEra Energy Operating Partners LP	4.500%	9/15/27	700	699
NRG Energy Inc.	6.250%	7/15/22	1,544	1,606
NRG Energy Inc.	6.250%	5/1/24	1,416	1,480
NRG Energy Inc.	7.250%	5/15/26	1,425	1,551
				12,523
Total Corporate Bonds (Cost $666,681)				**682,307**
Sovereign Bonds (0.2%)				
[2] DAE Funding LLC	4.500%	8/1/22	825	811
[2] DAE Funding LLC	5.000%	8/1/24	850	836
Total Sovereign Bonds (Cost $1,675)				**1,647**

	Shares	
Common Stocks (0.2%)		
Financials (0.2%)		
[*,7] Homer City Generation **(Cost $951)**	62,633	**1,287**

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Temporary Cash Investment (8.1%)				
Repurchase Agreement (8.1%)				
Bank of America Securities, LLC (Dated 12/29/17, Repurchase Value $61,110,000, collateralized by Federal Farm Credit Bank 3.000%, 9/5/29–4/21/33, with a value of $62,323,000) **(Cost $61,100)**	1.410%	1/2/18	61,100	**61,100**
Total Investments (99.2%) (Cost $730,407)				**746,341**

	Amount ($000)
Other Assets and Liabilities (0.8%)	
Other Assets	
Investment in Vanguard	42
Receivables for Investment Securities Sold	1,066
Receivables for Accrued Income	10,170
Receivables for Capital Shares Issued	471
Variation Margin Receivable—Swap Contracts	17
Other Assets[8]	1,051
Total Other Assets	**12,817**
Liabilities	
Payables for Investment Securities Purchased	(3,599)
Payables to Investment Advisor	(109)
Payables for Capital Shares Redeemed	(2,237)
Payables to Vanguard	(863)
Unrealized Depreciation—Forward Currency Contracts	(97)
Total Liabilities	**(6,905)**
Net Assets (100%)	
Applicable to 92,546,052 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**752,253**
Net Asset Value Per Share	**$8.13**

At December 31, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	711,671
Undistributed Net Investment Income	34,631
Accumulated Net Realized Losses	(9,996)
Unrealized Appreciation (Depreciation)	
Investment Securities	15,934
Swap Contracts	109
Forward Currency Contracts	(97)
Foreign Currencies	1
Net Assets	**752,253**

• See Note A in Notes to Financial Statements.

† Security purchased on a when-issued or delayed-delivery basis for which the portfolio has not taken delivery as of December 31, 2017.

* 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 December 31, 2017, the aggregate value of these securities was $266,619,000, representing 35.4% of net assets.

3 Face amount denominated in euro.

4 Face amount denominated in British pounds.

5 Security is a senior, secured, high-yield floating-rate loan. These loans are debt obligations issued by public and private companies and are comparable to high-yield bonds from a ratings and leverage perspective. At December 31, 2017, the aggregate value of these securities was $10,797,000, representing 1.4% of net assets.

6 Adjustable-rate security based upon 3-month USD LIBOR plus spread.

7 Security value determined using significant unobservable inputs.

8 Cash of $905,000 has been segregated as initial margin for open cleared swap contracts.

Derivative Financial Instruments Outstanding as of Period End

Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000) Receive		Contract Amount (000) Deliver		Unrealized Appreciation (Depreciation) ($000)
Bank of America N.A.	1/31/18	USD	3,570	EUR	3,012	(51)
Citibank, N.A.	1/31/18	USD	3,584	EUR	3,013	(38)
Goldman Sachs International	1/31/18	USD	1,362	GBP	1,014	(8)
						(97)

EUR—Euro.
GBP—British pound.
USD—U.S. dollar.

Unrealized appreciation (depreciation) on open forward currency contracts is treated as realized gain (loss) for tax purposes

Centrally Cleared Credit Default Swaps

Reference Entity	Termination Date	Notional Amount (000)		Periodic Premium Received (Paid)[1] (%)	Value ($000)	Unrealized Appreciation (Depreciation) ($000)
Credit Protection Sold						
CDX-NA-HY-S29-V1	12/20/22	USD	17,470	5.000	1,447	109

1 Periodic premium received/paid quarterly.
USD—U.S. dollar.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Year Ended December 31, 2017 ($000)
Investment Income	
Income	
Interest	37,564
Total Income	37,564
Expenses	
Investment Advisory Fees—Note B	410
The Vanguard Group—Note C	
Management and Administrative	1,297
Marketing and Distribution	106
Custodian Fees	26
Auditing Fees	38
Shareholders' Reports and Proxy	33
Trustees' Fees and Expenses	1
Total Expenses	1,911
Net Investment Income	**35,653**
Realized Net Gain (Loss)	
Investment Securities Sold	1,638
Swap Contracts	487
Foreign Currencies and Forward Currency Contracts	(519)
Realized Net Gain (Loss)	**1,606**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	7,399
Swap Contracts	84
Foreign Currencies and Forward Currency Contracts	(55)
Change in Unrealized Appreciation (Depreciation)	**7,428**
Net Increase (Decrease) in Net Assets Resulting from Operations	**44,687**

Statement of Changes in Net Assets

	Year Ended December 31, 2017 ($000)	Year Ended December 31, 2016 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	35,653	30,829
Realized Net Gain (Loss)	1,606	(10,782)
Change in Unrealized Appreciation (Depreciation)	7,428	40,221
Net Increase (Decrease) in Net Assets Resulting from Operations	44,687	60,268
Distributions		
Net Investment Income	(31,351)	(29,106)
Realized Capital Gain	—	—
Total Distributions	(31,351)	(29,106)
Capital Share Transactions		
Issued	177,943	127,974
Issued in Lieu of Cash Distributions	31,351	29,106
Redeemed	(92,546)	(86,704)
Net Increase (Decrease) from Capital Share Transactions	116,748	70,376
Total Increase (Decrease)	130,084	101,538
Net Assets		
Beginning of Period	**622,169**	**520,631**
End of Period[1]	**752,253**	**622,169**

1 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $34,631,000 and $30,520,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	**$7.99**	**$7.59**	**$8.14**	**$8.24**	**$8.33**
Investment Operations					
Net Investment Income	.419[1]	.397	.427	.416	.458
Net Realized and Unrealized Gain (Loss) on Investments	.119	.426	(.541)	(.061)	(.108)
Total from Investment Operations	.538	.823	(.114)	.355	.350
Distributions					
Dividends from Net Investment Income	(.398)	(.423)	(.423)	(.455)	(.440)
Distributions from Realized Capital Gains	—	—	(.013)	—	—
Total Distributions	(.398)	(.423)	(.436)	(.455)	(.440)
Net Asset Value, End of Period	**$8.13**	**$7.99**	**$7.59**	**$8.14**	**$8.24**
Total Return	**7.00%**	**11.35%**	**-1.58%**	**4.40%**	**4.35%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$752	$622	$521	$534	$509
Ratio of Total Expenses to Average Net Assets	0.28%	0.28%	0.28%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.22%	5.44%	5.41%	5.24%	5.51%
Portfolio Turnover Rate	28%	27%	38%	35%	37%

1 Calculated based on average shares outstanding.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard High Yield Bond Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Bonds and temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. 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 year ended December 31, 2017, 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.

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 year ended December 31, 2017, the portfolio's average amounts of investments in credit protection sold and credit protection purchased represented 1% and less than 1% of net assets, respectively, based on the average of notional amounts at each quarter-end during the period.

5. Repurchase Agreements: The portfolio enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the portfolio under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. Each agreement requires that the market value of

the collateral be sufficient to cover payments of interest and principal. The portfolio further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

6. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2014–2017), and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

7. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

8. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at December 31, 2017, or at any time during the period then ended.

9. Other: Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. For the year ended December 31, 2017, the investment advisory fee represented an effective annual rate of 0.06% of the portfolio's average net assets.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2017, the portfolio had contributed to Vanguard capital in the amount of $42,000, representing 0.01% of the portfolio's net assets and 0.02% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of December 31, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Corporate Bonds	—	682,307	—
Sovereign Bonds	—	1,647	—
Common Stocks	—	—	1,287
Temporary Cash Investments	—	61,100	—
Forward Currency Contracts—Liabilities	—	(97)	—
Swap Contracts—Assets[1]	17	—	—
Total	17	744,957	1,287

1 Represents variation margin on the last day of the reporting period.

E. At December 31, 2017, the fair values of derivatives were reflected in the Statement of Net Assets as follows:

Statement of Net Assets Caption	Foreign Exchange Contracts ($000)	Credit Contracts ($000)	Total ($000)
Variation Margin Receivable—Swap Contracts	—	17	17
Unrealized Depreciation—Forward Currency Contracts	(97)	—	(97)

Realized Net Gain (Loss) on Derivatives	Foreign Exchange Contracts ($000)	Credit Contracts ($000)	Total ($000)
Forward Currency Contracts	(636)	—	(636)
Swap Contracts	—	487	487
Realized Net Gain (Loss) on Derivatives	(636)	487	(149)
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	(58)	—	(58)
Swap Contracts	—	84	84
Change in Unrealized Appreciation (Depreciation) on Derivatives	(58)	84	26

F. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

During the year ended December 31, 2017, the portfolio realized net foreign currency losses of $580,000 (including gains and losses on forward currency contracts and the foreign currency component on sales of foreign currency denominated bonds), which decreased distributable net income for tax purposes; accordingly, such losses have been reclassified from accumulated net realized losses to undistributed net investment income.

Realized and unrealized gains (losses) on certain of the portfolio's swap contracts are treated as ordinary income (loss) for tax purposes; the effect on the portfolio's income dividends to shareholders is offset by a change in principal return. Realized gains of $389,000 on swap contracts have been reclassified from accumulated net realized losses to undistributed net investment income.

For tax purposes, at December 31, 2017, the portfolio had $35,117,000 of ordinary income available for distribution. The portfolio used capital loss carryforwards of $1,677,000 to offset taxable capital gains realized during the year ended December 31, 2017. At December 31, 2017, the portfolio had available capital losses totaling $9,794,000 that may be carried forward indefinitely to offset future net capital gains.

At December 31, 2017, the cost of investment securities for tax purposes was $730,407,000. Net unrealized appreciation of investment securities for tax purposes was $15,934,000, consisting of unrealized gains of $24,857,000 on securities that had risen in value since their purchase and $8,923,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the year ended December 31, 2017, the portfolio purchased $247,216,000 of investment securities and sold $170,812,000 of investment securities, other than U.S. government securities and temporary cash investments. There were no purchases or sales of U.S. government securities during the period.

H. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2017 Shares (000)	2016 Shares (000)
Issued	22,124	16,586
Issued in Lieu of Cash Distributions	4,066	3,976
Redeemed	(11,491)	(11,309)
Net Increase (Decrease) in Shares Outstanding	14,699	9,253

At December 31, 2017, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 48% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no material events or transactions occurred subsequent to December 31, 2017, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of High Yield Bond Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of High Yield Bond Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2018

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

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 December 31, 2017

High Yield Bond Portfolio	Beginning Account Value 6/30/2017	Ending Account Value 12/31/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,002.08	$1.43
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.79	1.43

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.28%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

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The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 201 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Chief Executive Officer and Director of The Vanguard Group and President and Chief Executive Officer of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; President of The Vanguard Group (2008–2017); Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College; Trustee of the University of Rochester.

Rajiv L. Gupta

Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Arconic Inc. (diversified manufacturer), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center.

JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the Executive Committee (1997–2008), Chief Global Diversity Officer (retired 2008), Vice President and Chief Information Officer (1997–2006), Controller (1995–1997), Treasurer (1991–1995), and Assistant Treasurer (1989–1991) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; Director of the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and Chair of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Member of the Council on Chicago Booth.

Scott C. Malpass

Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, the Board of Catholic Investment Services, Inc. (investment advisor), and the Board of Superintendence of the Institute for the Works of Religion; Chairman of the Board of TIFF Advisory Services, Inc. (investment advisor).

André F. Perold

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Co-Managing Partner of HighVista Strategies LLC (private investment firm); Overseer of the Museum of Fine Arts Boston.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem
Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

Christine M. Buchanan
Born 1970. Treasurer Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Global Head of Vanguard Fund Administration at The Vanguard Group; Partner at KPMG LLP (2005–2017).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Anne E. Robinson
Born 1970. Secretary Since September 2016. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

Michael Rollings
Born 1963. Finance Director Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Director of Vanguard Marketing Corporation; Treasurer of each of the investment companies served by The Vanguard Group (February 2017–November 2017); Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Performance Summary Fourth Quarter 2017

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

	Nonstandardized[1] Total Returns		Standardized[1] Total Returns for Periods Ended 12/31/2017				Annualized Current Yield* for Period Ended 12/31/2017
Portfolio/Subaccount (Inception Date)	**Fourth Quarter 2017**	**YTD 2017**	**1 Year**	**5 Years**	**10 Years**	**Since Inception**	
Money Market** (5/2/1991)	**0.23%**	**0.72%**	**0.71%**	**0.07%**	**0.28%**	**2.45%**	**1.05%**
Citigroup 3-Month U.S. Treasury Bill Index	0.28	0.84	0.84	0.23	0.34	2.62	
Short-Term Investment-Grade (2/8/1999)	**–0.17**	**1.80**	**1.79**	**1.45**	**2.69**	**3.53**	
Bloomberg Barclays U.S. 1–5 Year Credit Index	–0.13	2.32	2.32	1.83	3.49	4.44	
Total Bond Market Index (4/29/1991)	**0.27**	**3.18**	**3.18**	**1.64**	**3.57**	**5.20**	
Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index[2]	0.41	3.63	3.63	2.10	4.03	5.87	
High Yield Bond (6/3/1996)[3]	**–0.07**	**6.70**	**6.69**	**4.71**	**6.30**	**5.86**	
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.47	7.50	7.50	5.78	8.03	7.20	
Conservative Allocation (10/19/2011)[4]	**2.55**	**10.57**	**10.56**	**—**	**—**	**6.83**	
Conservative Allocation Composite Index	2.73	10.95	10.95	6.74	—	7.30	
Moderate Allocation (10/19/2011)[4]	**3.56**	**14.47**	**14.47**	**8.38**	**—**	**8.99**	
Moderate Allocation Composite Index	3.83	14.88	14.88	8.90	—	9.48	
Balanced (5/23/1991)[4]	**4.43**	**14.39**	**14.39**	**10.59**	**7.23**	**9.20**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Balanced Composite Index	4.61	15.76	15.76	11.24	7.46	8.84	
Total Stock Market Index (5/1/2003)	**6.20**	**20.62**	**20.62**	**15.05**	**8.17**	**9.82**	
Spliced Total Market Index***	6.33	21.16	21.16	15.52	8.58	10.22	
Equity Index (4/29/1991)	**6.53**	**21.31**	**21.30**	**15.29**	**8.06**	**9.34**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Large-Cap Core Funds Average	5.93	20.32	20.32	14.22	7.12	8.55	
Equity Income (6/7/1993)	**6.31**	**17.91**	**17.91**	**14.40**	**8.37**	**9.62**	
Spliced Equity Income Index****	6.31	16.51	16.51	15.16	8.70	10.53	
Diversified Value (2/8/1999)	**5.37**	**12.83**	**12.83**	**11.79**	**6.32**	**6.95**	
Russell 1000 Value Index	5.33	13.66	13.66	14.04	7.10	7.07	
Growth (6/7/1993)	**6.07**	**30.54**	**30.54**	**16.23**	**8.72**	**7.15**	
Russell 1000 Growth Index	7.86	30.21	30.21	17.33	10.00	9.37	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.69	
Capital Growth (5/1/2003)	**6.93**	**28.46**	**28.46**	**18.82**	**10.93**	**12.53**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.81	
Mid-Cap Index (2/9/1999)[5]	**5.53**	**18.74**	**18.73**	**14.52**	**8.47**	**10.02**	
Spliced Mid Cap Index*****	5.65	19.30	19.30	15.06	8.96	10.41	
Small Company Growth (6/3/1996)[5]	**5.14**	**23.11**	**23.11**	**15.55**	**10.12**	**10.65**	
Russell 2500 Growth Index	6.35	24.46	24.46	15.47	9.62	8.06	
Variable Insurance Small-Cap Growth Funds Average	5.18	23.89	23.89	14.37	8.37	7.20	
REIT Index (2/9/1999)[6]	**1.24**	**4.47**	**4.47**	**8.77**	**7.10**	**10.09**	
REIT Spliced Index†	1.41	5.07	5.07	9.34	7.63	10.65	
International (6/3/1994)[7]	**3.88**	**42.26**	**42.26**	**10.48**	**4.36**	**7.32**	
Spliced International Index††	5.00	27.19	27.19	6.80	1.23	4.89	
Total International Stock Market Index (9/7/2017)	**4.83**	**—**	**—**	**—**	**—**	**5.66**	
FTSE Global All Cap ex US Index	—	—	—	—	—	0.93	
Global Bond Index (9/7/2017)	**0.53**	**—**	**—**	**—**	**—**	**–0.24**	
Global Bond Composite Index	—	—	—	—	—	–0.79	

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*Seven-day yield for the Money Market Portfolio; the annualized yield reflects the current earnings of the portfolio more closely than the total returns shown.

The Fund is only available to retail investors (natural persons). 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. The Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. 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.

***Spliced Total Market Index: Dow Jones Wilshire 5000 Index through June 17, 2005; S&P Total Market Index thereafter.

****Spliced Equity Income Index: Russell 1000 Value Index through July 31, 2007; FTSE High Dividend Yield Index thereafter.

*****Spliced Mid Cap Index: S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

† MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

†† The portfolio adopted the MSCI All Country World Index ex USA on June 1, 2010, as its target index, replacing the MSCI EAFE Index. The Spliced International Index reflects performance of the MSCI EAFE Index through May 31, 2010, and performance of the MSCI All Country World Index ex USA thereafter.

[1]The "nonstandardized" quarter and year-to-date returns are unadjusted. The "standardized" one-, five-, and ten-year period returns are adjusted for the $25 annual fee charged on contracts valued at less than $25,000. With respect to contracts issued in New York State, performance figures shown are based on the actual performance of Vanguard Variable Insurance Fund as if the contracts were being offered in New York prior to their first New York offering date in November 1992. Distributions taken prior to age 59½ may be subject to a 10% federal penalty tax.

[2]Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

[3]Because high-yield bonds are considered speculative, investors should be prepared to assume a substantially greater level of risk than with other types of bonds.

[4]These investments are eligible for the Guaranteed Lifetime Withdrawal Benefit.

[5]A portfolio that concentrates its investments in small- and mid-capitalization stocks may be more volatile than a portfolio that invests in large-capitalization stocks.

[6]A portfolio that concentrates its investments in one economic sector or geographic region faces the risk of higher share-price volatility.

[7]Foreign stock prices are subject to the same influences as domestic stocks, but international investing can involve additional risks and expenses that can increase the potential for losses in the portfolio (for example, changes in currency rates, higher transaction costs, less stable economies and political structures, and differences in auditing and other financial standards).

Average portfolio performance is based on data provided by Lipper, a Thomson Reuters Company.

The returns presented in the table on the reverse take into account the reinvestment of all dividends and capital gains, reduced by a daily mortality and expense risk charge. The daily mortality and expense risk charge corresponds to an annual fee of 0.19% and an administrative charge that corresponds to an annual fee of 0.10%.

Variable annuities are long-term, tax-deferred investment vehicles that are designed for retirement investing. They offer investment options through subaccounts and insurance features such as annuitization and death benefit options.

Only the subaccounts bolded in the table on the reverse are available through the Vanguard Variable Annuity.

Please reference the Vanguard Variable Insurance Fund prospectus for more information regarding risk.

The Vanguard Variable Annuity is a flexible-premium variable annuity issued by Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (NAIC No. 66281), and in New York State only, by Transamerica Financial Life Insurance Company, Harrison, New York (NAIC No. 70688). Form No. VVAP U 1101 (in Florida, Form No. VVAP U 1101 (FL), in Oregon, Form No. VVAP U 1101 (OR) (R), and in New York, VVA NY 0208(R13)). GLWB Rider Form No. RGMB 43 0811 (in Florida, RGMB 43 0811 (SI)(FL), RGMB 43 0811 (JT)(FL), in Oregon, RGMB 43 0811 (SI)(OR), RGMB 43 0811 (JT)(OR), and in New York, RGMB 43 0811 (SI)(NY) (REV), RGMB 43 0811 (JT)(NY) (REV)), without agent representation. Policy and rider form numbers may vary by state and may not be available in all states. The Vanguard Group administers the Vanguard Variable Annuity for the issuer. Its variable annuity and investment costs rank among the lowest in the industry, according to Morningstar, Inc., December 2016. The Vanguard Group, Transamerica Premier Life Insurance Company, and Transamerica Financial Life Insurance Company do not provide tax advice. Investors are encouraged to consult a tax advisor for information on how annuity taxation applies to their individual situations.

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For more information about the Vanguard Variable Annuity, visit vanguard.com or call 800-522-5555 to obtain fund and variable annuity contract prospectuses. Investment objectives, risks, charges, expenses, and other important information about the product are contained in the prospectus; read and consider it carefully before investing.

Vanguard®

Annual Report | December 31, 2017

Vanguard Variable Insurance Fund

Mid-Cap Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

A Message from Vanguard's Chairman

Dear Planholder,

Lately I've been asked a lot about my legacy. And candidly, that phrase bugs me—it isn't my legacy. Vanguard's success is a result of thousands of my colleagues committing to a clear mission: helping investors achieve their financial goals.

The reason the topic has come up is that on December 31, 2017, I officially stepped down as Vanguard's CEO after almost a decade in that role. I'll remain chairman for a period to be determined by the board of directors. Tim Buckley, who was previously Vanguard's president and chief investment officer, was elected CEO. I can't think of a better successor.

I've spent 32 years at Vanguard—almost my entire professional life—and during that time I've had the good fortune of working with smart, principled colleagues from across the world. I've learned from each of them.

In particular, I would like to thank Jack Bogle, our founder, who took a chance on me when I was a young business school graduate, and Jack Brennan, my predecessor as CEO, who constantly challenged me with new roles and responsibilities.

When you're just starting out, there is nothing quite like getting votes of confidence from people you respect.

The short list

A milestone like this naturally brings about some reflection. With that in mind, here's a tally—by no means exhaustive—of the accomplishments that *we* at Vanguard are proud of:

Low costs. Over the last decade, we cut our average asset-weighted expense ratio by about 50%.[1] This isn't a result of some contrived price war. Since its founding, Vanguard has emphasized the benefits of low-cost investing. As Jack Bogle once said: "The honest steward who charges least, wins most. But not for himself; for those investors who entrust their assets to his care. It is not all that complicated."

Global diversification. Through our thought leadership and investment options, such as our target-date funds, Vanguard has encouraged clients to obtain exposure to international markets.

Global diversification isn't just about helping to control risk—it can also be a way of expanding your set of opportunities and harnessing the potential of all markets.

I've been glad to see more and more clients embracing global diversification. I believe this trend will continue as Vanguard's way of investing takes hold in international markets.

Affordable advice. In the wake of the 2008–2009 Global Financial Crisis, we began working on a new advice model. In 2015, we launched Vanguard Personal Advisor Services®, a hybrid advice offering that delivers value through a combination of a professional advisor and powerful digital technology at a competitive price.

Across the industry, we've seen the cost of providing advice coming down. Traditional advisors are embracing low-cost investments, and that, in turn, helps them reduce costs for their own clients. This is a trend that all of us at Vanguard would like to see continue.

Great people. I've interacted with hundreds of companies of all sizes and in all industries, and the one quality that sets Vanguard apart from most of them is our emphasis on people. It's a testament to our culture that colleagues spend 15, 20, or, as in my case, more than 30 years of their professional lives here. Investors benefit because we have consistent, experienced fund management teams and a deep bench of talent that ensures that things go smoothly when it's time for a transition.

We've done a great job attracting new talent, too. We made some notable additions to senior management in the last two years, and we're continuously grooming our next generation of leaders.

Ready for what comes next

When I was contemplating coming to work at Vanguard, I sat down with my rowing coach at his home in Philadelphia. Over cheesesteaks, he told me that the most important thing was to work for a company that had the same values I held deeply. He was like a second father to me, so I trusted his judgment at a time when I wasn't so sure about my own. Back then, I never could have anticipated the success Vanguard would have in the coming decades.

I'm no better at predicting the future now. Vanguard has enjoyed significant growth in the last few years, and that presents its own unique set of challenges and opportunities, such as the role we're

1 Source: Vanguard calculation, based on data from Morningstar, Inc., as of December 31, 2016.

playing in advocating for better corporate governance among companies our funds invest in. And the asset management industry is confronting significant changes brought on by technology, shifting demographics, and new regulations.

Although the future is uncertain, I'm confident that Vanguard is well-prepared to tackle whatever comes its way. And one thing I'm sure of: There are big parts of the world that would be well-served by our way of investing.

It's humbling to think about the impact the work we do at Vanguard has on clients who are trying to raise a family, buy a first home, save for college, or prepare for retirement. I've always tried to make decisions with investors' best interests in mind. It has been a privilege working with people who hold to that same ideal.

Thank you for entrusting us with your assets.

Sincerely,

F. William McNabb III
Chairman
January 1, 2018

Market Perspective

U.S. stocks posted record highs as earnings and economy clicked

U.S. stocks generated robust results for the 12 months ended December 31, 2017, powered by rising corporate earnings, investors' willingness to pay more for those earnings, and broad-based global economic expansion. For the ninth straight calendar year, U.S. stocks recorded gains when dividends are factored into returns. The Federal Reserve acknowledged the health of the economy, raising interest rates in December for the third time in 2017.

The broad U.S. stock market reached numerous record highs and finished the year up 21.13%. Stocks also benefited from the passage of tax-reform legislation and the possibility of less government regulation and more fiscal stimulus in the form of infrastructure spending.

Growth stocks widely exceeded their value counterparts, while large-capitalization stocks surpassed small-caps. Nine of the 11 industry sectors advanced. Information technology climbed about 37%, while materials, health care, industrials, and financials also rose more than 20%. Telecommunication services and energy were the only sectors to decline.

International stocks fared even better than their U.S. brethren, returning 27.11%—a result that was enhanced for U.S. investors by the dollar's weakness against a number of foreign currencies. Investors were also attracted to international stocks' relatively inexpensive valuations. Emerging-market stocks led those from the developed markets of Europe and the Pacific region, but gains were notable across the board.

Demand from investors helped boost bond prices

The Fed's three interest rate increases in 2017 didn't dissuade investors, who requested bonds even as stocks continued to surge. Inflation expectations were generally muted, which contributed to lower yields for longer-dated U.S. Treasuries and thus to higher bond prices. (Bond prices and yields move in opposite directions.) Bonds also drew support from various central banks' accommodative monetary policies.

The broad U.S. bond market returned 3.54% for the period. Investment-grade corporate bonds outperformed Treasuries and mortgage-backed securities. The yield of the benchmark 10-year Treasury note dipped slightly, closing December at 2.41%, from 2.45% a year earlier.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 10.51%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds. The Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged) returned 2.57%.

Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2017		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	21.69%	11.23%	15.71%
Russell 2000 Index (Small-caps)	14.65	9.96	14.12
Russell 3000 Index (Broad U.S. market)	21.13	11.12	15.58
FTSE All-World ex US Index (International)	27.11	8.27	7.19
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	3.54%	2.24%	2.10%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	5.45	2.98	3.02
Citigroup Three-Month U.S. Treasury Bill Index	0.84	0.37	0.23
CPI			
Consumer Price Index	2.11%	1.64%	1.43%

Vanguard® Mid-Cap Index Portfolio

U.S. stocks posted impressive returns in the first half of 2017 as the economy continued to grow, more workers found jobs, corporate earnings improved, volatility was muted, and investors were hopeful about prospects for investor-friendly policies in Washington such as tax-code changes and infrastructure spending.

For the 12 months ended December 31, 2017, Vanguard Mid-Cap Index Portfolio returned 19.08%, in line with its benchmark index and nearly 5 percentage points ahead of the average return of its peers.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

A wide variety of sectors registered robust returns

Vanguard Mid-Cap Index Portfolio offers investors broad exposure to the hundreds of mid-capitalization stocks in the U.S. equity market. Stocks of every style and from every industry sector are represented. Over the period, large-cap stocks outpaced mid- and small-caps, and growth stocks outperformed their value counterparts.

Most sectors in the portfolio posted gains. Most of the increase came from technology companies, as investors expected rising demand for both hardware and software products. Semiconductor makers were also strong performers.

Health care stocks, a smaller sector, also produced strong results, as did industrials and basic materials.

Strong performance from banks, financial service firms, and insurance providers helped financials. The prospect of rising interest rates put these stocks in a favorable light, as loan margins and investment returns for insurers were expected to benefit.

Returns were positive but more modest for utilities. Telecommunications and oil and gas were the only two sectors that produced negative returns for the year.

Total Returns

	Year Ended December 31, 2017	Ten Years Ended December 31, 2017 Average Annual Return
Vanguard Mid-Cap Index Portfolio	19.08%	8.79%
Spliced Mid Cap Index[1]	19.30	8.96
Variable Insurance Mid-Cap Core Funds Average[2]	14.45	8.24

The figures shown represent past performance, which is not a guarantee of future results. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

Expense Ratios[3]

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Mid-Cap Core Funds Average
Mid-Cap Index Portfolio	0.19%	0.80%

1 MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

2 Derived from data provided by Lipper, a Thomson Reuters Company.

3 The portfolio expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the portfolio's expense ratio was 0.19%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*
The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	1,944,141,093	99,613,853	95.1%
Emerson U. Fullwood	1,941,634,789	102,120,157	95.0%
Amy Gutmann	1,936,277,120	107,477,826	94.7%
JoAnn Heffernan Heisen	1,932,975,342	110,779,604	94.6%
F. Joseph Loughrey	1,942,078,522	101,676,424	95.0%
Mark Loughridge	1,945,099,950	98,654,996	95.2%
Scott C. Malpass	1,936,871,738	106,883,208	94.8%
F. William McNabb III	1,943,389,639	100,365,307	95.1%
Deanna Mulligan	1,935,898,722	107,856,224	94.7%
André F. Perold	1,929,764,167	113,990,779	94.4%
Sarah Bloom Raskin	1,932,581,664	111,173,282	94.6%
Peter F. Volanakis	1,939,733,490	104,021,455	94.9%

* Results are for all funds within the same trust.

Proposal 2—Approve a manager-of-managers arrangement with third-party investment advisors.
This arrangement enables the fund to enter into and materially amend investment advisory arrangements with third-party investment advisors, subject to the approval of the fund's board of trustees and certain conditions imposed by the Securities and Exchange Commission, while avoiding the costs and delays associated with obtaining future shareholder approval.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
Mid-Cap Index Portfolio	55,398,452	2,647,503	4,542,182	0	88.5%

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.
This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
Mid-Cap Index Portfolio	56,190,324	2,585,023	3,812,789	0	89.8%

Portfolio Profile

As of December 31, 2017

Portfolio Characteristics

	Portfolio	Target Index[1]	Broad Index[2]
Number of Stocks	339	339	3,775
Median Market Cap	$14.0B	$14.0B	$66.9B
Price/Earnings Ratio	24.0x	24.0x	22.8x
Price/Book Ratio	2.7x	2.7x	3.0x
Yield[3]	1.4%	1.5%	2.0%
Return on Equity	12.5%	12.5%	15.1%
Earnings Growth Rate	10.7%	10.7%	9.9%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate	18%	—	—
Expense Ratio[4]	0.19%	—	—
Short-Term Reserves	0.0%	—	—

Volatility Measures

	Portfolio Versus Spliced Target Index[5]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.94
Beta	1.00	1.00

Sector Diversification (% of equity exposure)

	Portfolio	Target Index[1]	Broad Index[2]
Basic Materials	4.6%	4.6%	2.7%
Consumer Goods	11.6	11.6	9.0
Consumer Services	10.5	10.5	12.8
Financials	23.3	23.3	20.5
Health Care	7.6	7.6	12.5
Industrials	17.5	17.5	13.2
Oil & Gas	5.2	5.2	5.7
Technology	13.9	13.9	18.7
Telecommunications	0.6	0.6	1.9
Utilities	5.2	5.2	3.0

Ten Largest Holdings[6] (% of total net assets)

Fiserv Inc.	Financial Administration	0.7%
Amphenol Corp.	Electrical Components & Equipment	0.7
Roper Technologies Inc.	Electronic Equipment	0.7
Freeport-McMoRan Inc.	Nonferrous Metals	0.7
Dollar Tree Inc.	Specialty Retailers	0.6
Moody's Corp.	Specialty Finance	0.6
Edwards Lifesciences Corp.	Medical Supplies	0.6
Western Digital Corp.	Computer Hardware	0.6
Digital Realty Trust Inc.	Industrial & Office REITs	0.6
M&T Bank Corp.	Banks	0.6
Top Ten		6.4%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium		■	
	Small			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 CRSP US Mid Cap Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

4 The expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the Mid-Cap Index Portfolio's expense ratio was 0.19%.

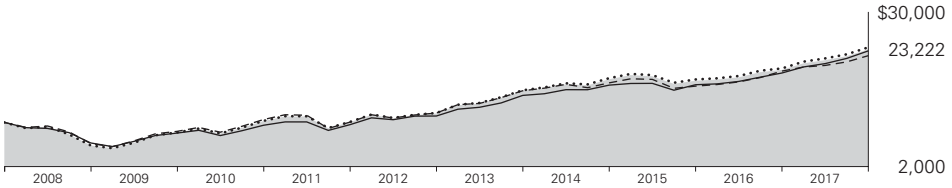
5 Spliced Mid-Cap Index: MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

6 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

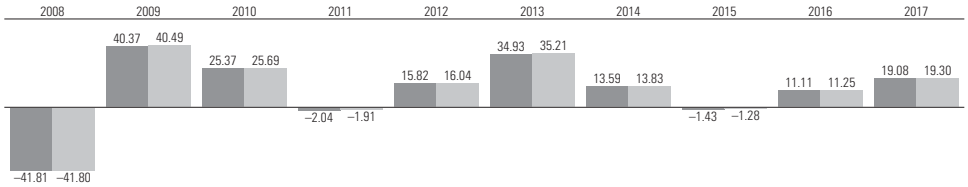
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Cumulative Performance: December 31, 2007–December 31, 2017
Initial Investment of $10,000



	Average Annual Total Returns Periods Ended December 31, 2017			Final Value of a $10,000 Investment
	One Year	Five Years	Ten Years	
Mid-Cap Index Portfolio	19.08%	14.86%	8.79%	$23,222
Spliced Mid-Cap Index[1]	19.30	15.06	8.96	23,586
Variable Insurance Mid-Cap Core Funds Average[2]	14.45	13.57	8.24	22,078
Dow Jones U.S. Total Stock Market Float Adjusted Index	21.16	15.52	8.66	22,948

Fiscal Year Total Returns (%): December 31, 2007–December 31, 2017



Mid-Cap Index Portfolio
Spliced Mid-Cap Index[1]

1 MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
See Financial Highlights for dividend and capital gains information.

Financial Statements

Statement of Net Assets

As of December 31, 2017

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (100.0%)[1]		
Basic Materials (4.6%)		
* Freeport-McMoRan Inc.	642,647	12,185
Newmont Mining Corp.	249,063	9,345
Celanese Corp. Class A	63,277	6,776
Albemarle Corp.	51,738	6,617
Arconic Inc.	225,386	6,142
FMC Corp.	62,865	5,951
International Flavors & Fragrances Inc.	36,816	5,619
Eastman Chemical Co.	60,567	5,611
Avery Dennison Corp.	41,009	4,710
CF Industries Holdings Inc.	109,223	4,646
Mosaic Co.	164,374	4,218
* Axalta Coating Systems Ltd.	102,667	3,322
Reliance Steel & Aluminum Co.	32,421	2,781
* Alcoa Corp.	41,219	2,220
Westlake Chemical Corp.	18,182	1,937
		82,080
Consumer Goods (11.6%)		
Clorox Co.	60,380	8,981
DR Horton Inc.	166,348	8,495
Dr Pepper Snapple Group Inc.	84,544	8,206
* Mohawk Industries Inc.	29,499	8,139
Conagra Brands Inc.	190,446	7,174
Newell Brands Inc.	228,694	7,067
Molson Coors Brewing Co. Class B	82,282	6,753
JM Smucker Co.	50,534	6,278
Genuine Parts Co.	65,226	6,197
Lennar Corp. Class A	95,628	6,048
Tapestry Inc.	133,166	5,890
Church & Dwight Co. Inc.	117,033	5,872
* NVR Inc.	1,657	5,813
McCormick & Co. Inc.	56,073	5,714
Whirlpool Corp.	33,505	5,650
Tyson Foods Inc. Class A	69,677	5,649
* LKQ Corp.	137,486	5,592
Lear Corp.	31,630	5,588
* Aptiv plc	62,231	5,279
BorgWarner Inc.	98,704	5,043
PVH Corp.	36,255	4,975
Hasbro Inc.	52,492	4,771
Snap-on Inc.	26,696	4,653
Hormel Foods Corp.	123,584	4,497
Bunge Ltd.	65,850	4,417
* Michael Kors Holdings Ltd.	67,654	4,259
Coty Inc. Class A	210,573	4,188
PulteGroup Inc.	123,891	4,119
Harley-Davidson Inc.	78,799	4,009
Leucadia National Corp.	150,151	3,977
Lamb Weston Holdings Inc.	68,457	3,864
* WABCO Holdings Inc.	25,122	3,605
Hanesbrands Inc.	170,725	3,570
* Lululemon Athletica Inc.	44,112	3,467
Polaris Industries Inc.	27,821	3,450
* Take-Two Interactive Software Inc.	26,703	2,931
Ralph Lauren Corp. Class A	25,940	2,690
Mattel Inc.	161,010	2,476
Ingredion Inc.	16,839	2,354
Campbell Soup Co.	45,796	2,203
Goodyear Tire & Rubber Co.	57,828	1,868
* Under Armour Inc. Class A	86,402	1,247
*,^ Under Armour Inc.	88,702	1,182
* Pilgrim's Pride Corp.	23,134	719
Lennar Corp. Class B	6,429	332
		209,251
Consumer Services (10.5%)		
* Dollar Tree Inc.	105,188	11,288
Royal Caribbean Cruises Ltd.	79,995	9,542
Best Buy Co. Inc.	118,719	8,129
MGM Resorts International	238,598	7,967
Ross Stores Inc.	89,960	7,219
Expedia Inc.	58,773	7,039
L Brands Inc.	112,568	6,779
Wynn Resorts Ltd.	38,504	6,491
* Ulta Beauty Inc.	27,217	6,087
Nielsen Holdings plc	166,783	6,071
Tiffany & Co.	55,391	5,758
Darden Restaurants Inc.	57,916	5,561
* CarMax Inc.	85,380	5,475
Wyndham Worldwide Corp.	45,081	5,224
Viacom Inc. Class B	165,171	5,089
* Liberty Interactive Corp. QVC Group Class A	205,123	5,009
Aramark	114,763	4,905
* AutoZone Inc.	6,437	4,579
* Norwegian Cruise Line Holdings Ltd.	85,588	4,558
Tractor Supply Co.	58,799	4,395
Kohl's Corp.	78,941	4,281
Alaska Air Group Inc.	57,619	4,236
* United Continental Holdings Inc.	60,546	4,081
Gap Inc.	118,357	4,031
* Chipotle Mexican Grill Inc. Class A	13,221	3,821
News Corp. Class A	233,055	3,778
Interpublic Group of Cos. Inc.	181,966	3,668
Macy's Inc.	142,634	3,593
FactSet Research Systems Inc.	18,315	3,530
AmerisourceBergen Corp. Class A	38,301	3,517
Scripps Networks Interactive Inc. Class A	40,483	3,456
Advance Auto Parts Inc.	32,874	3,277
* Liberty Media Corp-Liberty SiriusXM Class C	78,045	3,095
Nordstrom Inc.	54,612	2,588
* Discovery Communications Inc.	97,233	2,058
Domino's Pizza Inc.	10,264	1,940
* Discovery Communications Inc. Class A	72,085	1,613
* Liberty Media Corp-Liberty SiriusXM Class A	38,940	1,544
* Hyatt Hotels Corp. Class A	19,918	1,465
H&R Block Inc.	48,616	1,275
* TripAdvisor Inc.	25,028	863
*,^ Altice USA Inc. Class A	26,348	559
Viacom Inc. Class A	4,664	163
News Corp. Class B	3,475	58
		189,655
Financials (23.4%)		
Moody's Corp.	75,892	11,202
Digital Realty Trust Inc.	95,981	10,932
M&T Bank Corp.	63,278	10,820
KeyCorp	502,050	10,126
Citizens Financial Group Inc.	229,672	9,642
Principal Financial Group Inc.	134,823	9,513
Hartford Financial Services Group Inc.	166,611	9,377
Regions Financial Corp.	541,538	9,358
Willis Towers Watson plc	61,669	9,293
* SBA Communications Corp. Class A	54,887	8,966
Lincoln National Corp.	102,121	7,850
Realty Income Corp.	131,404	7,493
Essex Property Trust Inc.	30,819	7,439
Huntington Bancshares Inc.	504,074	7,339
* IHS Markit Ltd.	158,776	7,169
Comerica Inc.	81,108	7,041
* Markel Corp.	6,158	7,015
Invesco Ltd.	190,620	6,965
Host Hotels & Resorts Inc.	345,308	6,854
Equifax Inc.	56,021	6,606
Cboe Global Markets Inc.	52,932	6,595
First Republic Bank	75,221	6,517
Annaly Capital Management Inc.	542,962	6,456
* E*TRADE Financial Corp.	126,273	6,259
Vornado Realty Trust	79,687	6,230
* CBRE Group Inc. Class A	143,060	6,196
Ally Financial Inc.	206,160	6,012
Alexandria Real Estate Equities Inc.	44,822	5,853
* SVB Financial Group	24,696	5,773
AvalonBay Communities Inc.	32,332	5,768
Unum Group	104,631	5,743
HCP Inc.	218,706	5,704
Cincinnati Financial Corp.	72,666	5,448
Raymond James Financial Inc.	60,856	5,434
Mid-America Apartment Communities Inc.	53,207	5,350

	Shares	Market Value• ($000)
Affiliated Managers Group Inc.	26,027	5,342
MSCI Inc. Class A	42,175	5,337
Arthur J Gallagher & Co.	84,287	5,334
* Arch Capital Group Ltd.	58,226	5,285
Regency Centers Corp.	71,690	4,959
Extra Space Storage Inc.	56,054	4,902
UDR Inc.	125,386	4,830
SEI Investments Co.	66,371	4,769
FNF Group	121,376	4,763
Zions Bancorporation	93,534	4,754
Iron Mountain Inc.	125,193	4,723
Reinsurance Group of America Inc. Class A	30,161	4,703
SL Green Realty Corp.	46,013	4,644
Torchmark Corp.	51,107	4,636
Duke Realty Corp.	166,770	4,538
Federal Realty Investment Trust	33,970	4,512
Macerich Co.	65,918	4,329
* Liberty Broadband Corp.	50,406	4,293
Everest Re Group Ltd.	19,232	4,255
XL Group Ltd.	119,888	4,215
Nasdaq Inc.	54,491	4,187
Voya Financial Inc.	84,169	4,164
Western Union Co.	215,076	4,089
* Alleghany Corp.	6,847	4,081
Camden Property Trust	43,396	3,995
AGNC Investment Corp.	183,230	3,699
VEREIT Inc.	456,184	3,554
Kimco Realty Corp.	189,347	3,437
Lazard Ltd. Class A	60,766	3,190
Jones Lang LaSalle Inc.	21,243	3,164
Invitation Homes Inc.	133,545	3,148
WR Berkley Corp.	42,788	3,066
People's United Financial Inc.	162,179	3,033
CIT Group Inc.	61,464	3,026
New York Community Bancorp Inc.	217,580	2,833
* Athene Holding Ltd. Class A	53,434	2,763
Brixmor Property Group Inc.	142,798	2,665
* Brighthouse Financial Inc.	44,872	2,631
* Black Knight Inc.	53,241	2,351
Assurant Inc.	12,513	1,262
* Liberty Broadband Corp. Class A	11,474	976
Axis Capital Holdings Ltd.	19,392	975
		421,750
Health Care (7.6%)		
* Edwards Lifesciences Corp.	98,878	11,145
* Incyte Corp.	83,737	7,931
* Centene Corp.	76,527	7,720
* Laboratory Corp. of America Holdings	47,678	7,605
* Align Technology Inc.	33,680	7,483
* BioMarin Pharmaceutical Inc.	81,962	7,309
* IQVIA Holdings Inc.	73,336	7,180
Dentsply Sirona Inc.	107,177	7,055
* Waters Corp.	35,381	6,835
* IDEXX Laboratories Inc.	40,685	6,362
Quest Diagnostics Inc.	63,841	6,288
ResMed Inc.	66,450	5,628
* Hologic Inc.	129,097	5,519
Perrigo Co. plc	59,356	5,173
* Henry Schein Inc.	73,152	5,112
Cooper Cos. Inc.	22,922	4,994
* Varian Medical Systems Inc.	42,990	4,778
Universal Health Services Inc. Class B	41,041	4,652
* DaVita Inc.	64,380	4,651
* Alkermes plc	72,009	3,941
* Jazz Pharmaceuticals plc	26,669	3,591
* Alnylam Pharmaceuticals Inc.	20,897	2,655
Teleflex Inc.	10,549	2,625
* Seattle Genetics Inc.	21,923	1,173
		137,405
Industrials (17.4%)		
* Fiserv Inc.	97,374	12,769
Amphenol Corp. Class A	142,471	12,509
Roper Technologies Inc.	47,788	12,377
Rockwell Collins Inc.	76,080	10,318
Waste Connections Inc.	123,107	8,733
* FleetCor Technologies Inc.	41,809	8,045
Vulcan Materials Co.	61,748	7,927
AMETEK Inc.	108,225	7,843
WestRock Co.	118,830	7,511
Global Payments Inc.	74,519	7,470
* Mettler-Toledo International Inc.	11,938	7,396
Dover Corp.	72,650	7,337
Fastenal Co.	134,122	7,335
L3 Technologies Inc.	36,594	7,240
* Verisk Analytics Inc. Class A	73,008	7,009
* United Rentals Inc.	39,602	6,808
Martin Marietta Materials Inc.	29,320	6,481
Masco Corp.	146,728	6,447
Textron Inc.	111,020	6,283
Ball Corp.	163,924	6,204
Cintas Corp.	39,664	6,181
Total System Services Inc.	77,478	6,128
TransDigm Group Inc.	21,898	6,014
WW Grainger Inc.	25,349	5,989
CH Robinson Worldwide Inc.	64,999	5,791
Xylem Inc.	84,104	5,736
* Vantiv Inc. Class A	76,096	5,597
Alliance Data Systems Corp.	21,990	5,574
Pentair plc	76,536	5,405
Expeditors International of Washington Inc.	82,829	5,358
Kansas City Southern	48,487	5,102
Fortune Brands Home & Security Inc.	70,724	4,840
* Trimble Inc.	117,861	4,790
Owens Corning	52,089	4,789
JB Hunt Transport Services Inc.	40,899	4,703
Sealed Air Corp.	84,474	4,165
* Sensata Technologies Holding NV	80,211	4,100
ManpowerGroup Inc.	31,032	3,913
Jacobs Engineering Group Inc.	56,404	3,720
* First Data Corp. Class A	213,701	3,571
* Crown Holdings Inc.	62,882	3,537
Acuity Brands Inc.	19,739	3,474
Hubbell Inc. Class B	25,618	3,467
Fluor Corp.	65,496	3,383
* Arrow Electronics Inc.	41,179	3,311
Xerox Corp.	113,247	3,301
Wabtec Corp.	40,459	3,295
Robert Half International Inc.	55,764	3,097
* Stericycle Inc.	39,979	2,718
Allison Transmission Holdings Inc.	63,064	2,716
Packaging Corp. of America	22,090	2,663
* CoStar Group Inc.	8,466	2,514
Huntington Ingalls Industries Inc.	10,601	2,499
Macquarie Infrastructure Corp.	37,640	2,416
Cognex Corp.	38,547	2,357
* IPG Photonics Corp.	8,187	1,753
FLIR Systems Inc.	32,075	1,495
Flowserve Corp.	30,378	1,280
		314,784
Oil & Gas (5.2%)		
* Concho Resources Inc.	69,454	10,433
Andeavor	69,172	7,909
EQT Corp.	120,231	6,844
Marathon Oil Corp.	396,348	6,710
Hess Corp.	140,816	6,685
Noble Energy Inc.	227,818	6,639
National Oilwell Varco Inc.	177,865	6,407
Baker Hughes a GE Co.	199,658	6,317
Cabot Oil & Gas Corp.	216,554	6,194
Cimarex Energy Co.	44,595	5,441
* Cheniere Energy Inc.	94,580	5,092
Devon Energy Corp.	116,844	4,837
OGE Energy Corp.	93,503	3,077
Targa Resources Corp.	50,520	2,446
* Continental Resources Inc.	43,964	2,329
HollyFrontier Corp.	41,570	2,129
* Antero Resources Corp.	103,700	1,970
Helmerich & Payne Inc.	22,620	1,462
		92,921
Technology (13.9%)		
Western Digital Corp.	138,196	10,991
* Autodesk Inc.	102,401	10,735
* ServiceNow Inc.	80,867	10,544
* Cerner Corp.	147,883	9,966
* Red Hat Inc.	82,858	9,951
Microchip Technology Inc.	109,209	9,597
Symantec Corp.	289,436	8,122
Skyworks Solutions Inc.	85,520	8,120
Xilinx Inc.	117,144	7,898
Harris Corp.	55,587	7,874
* Dell Technologies Inc. Class V	95,123	7,732
KLA-Tencor Corp.	73,146	7,685
* Twitter Inc.	295,650	7,099
NetApp Inc.	126,315	6,988
Lam Research Corp.	37,914	6,979
Maxim Integrated Products Inc.	131,804	6,891
Motorola Solutions Inc.	75,538	6,824
* Workday Inc. Class A	64,151	6,527
* Synopsys Inc.	70,358	5,997
* Palo Alto Networks Inc.	40,876	5,925
* Citrix Systems Inc.	67,030	5,899
* ANSYS Inc.	39,737	5,865
Seagate Technology plc	135,477	5,668
* Cadence Design Systems Inc.	132,219	5,529
* Splunk Inc.	65,551	5,430
* Arista Networks Inc.	22,249	5,241
Juniper Networks Inc.	175,562	5,004
* Gartner Inc.	40,326	4,966
* Akamai Technologies Inc.	75,248	4,894
CA Inc.	146,999	4,892
CDK Global Inc.	64,406	4,591
* VeriSign Inc.	39,231	4,490

	Shares	Market Value• ($000)
*,^ Advanced Micro Devices Inc.	429,189	4,412
* Square Inc.	119,595	4,146
* Qorvo Inc.	59,536	3,965
Marvell Technology Group Ltd.	183,979	3,950
* F5 Networks Inc.	29,122	3,821
LogMeIn Inc.	24,648	2,822
Garmin Ltd.	43,903	2,615
* Premier Inc. Class A	13,098	382
		251,027
Telecommunications (0.6%)		
CenturyLink Inc.	449,050	7,490
* Zayo Group Holdings Inc.	92,662	3,410
		10,900
Utilities (5.2%)		
WEC Energy Group Inc.	147,365	9,789
ONEOK Inc.	179,062	9,571
Eversource Energy	147,972	9,349
DTE Energy Co.	83,722	9,164
American Water Works Co. Inc.	83,532	7,642
Entergy Corp.	84,078	6,843
Ameren Corp.	113,170	6,676
CMS Energy Corp.	131,560	6,223
CenterPoint Energy Inc.	200,884	5,697
Alliant Energy Corp.	107,595	4,584
Pinnacle West Capital Corp.	52,310	4,456
NiSource Inc.	157,695	4,048
AES Corp.	309,230	3,349
FirstEnergy Corp.	104,143	3,189
SCANA Corp.	63,467	2,525
Avangrid Inc.	29,098	1,472
		94,577
Total Common Stocks (Cost $1,344,064)		**1,804,350**

	Shares	Market Value• ($000)
Temporary Cash Investments (0.2%)[1]		
Money Market Fund (0.1%)		
[2,3] Vanguard Market Liquidity Fund, 1.458%	21,426	2,143
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.1%)		
[4] United States Treasury Bill, 1.089%, 2/1/18	500	499
Total Temporary Cash Investments (Cost $2,642)		**2,642**
Total Investments (100.2%) (Cost $1,346,706)		**1,806,992**

	Amount ($000)
Other Assets and Liabilities (-0.2%)	
Other Assets	
Investment in Vanguard	98
Receivables for Investment Securities Sold	13,811
Receivables for Accrued Income	2,093
Receivables for Capital Shares Issued	891
Total Other Assets	**16,893**
Liabilities	
Payables for Investment Securities Purchased	(12,977)
Collateral for Securities on Loan	(1,113)
Payables for Capital Shares Redeemed	(4,323)
Payables to Vanguard	(1,217)
Variation Margin Payable—Futures Contracts	(9)
Total Liabilities	**(19,639)**
Net Assets (100%)	
Applicable to 76,067,154 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,804,246**
Net Asset Value Per Share	**$23.72**

At December 31, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,235,204
Undistributed Net Investment Income	20,372
Accumulated Net Realized Gains	88,377
Unrealized Appreciation (Depreciation)	
Investment Securities	460,286
Futures Contracts	7
Net Assets	**1,804,246**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $1,031,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.1% and 0.1%, respectively, of net assets.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 Includes $1,113,000 of collateral received for securities on loan.

4 Securities with a value of $300,000 have been segregated as initial margin for open futures contracts.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount ($000)	Value and Unrealized Appreciation (Depreciation) ($000)
Long Futures Contracts				
E-mini S&P Mid-Cap 400 Index	March 2018	8	1,522	7

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Year Ended December 31, 2017 ($000)
Investment Income	
Income	
Dividends	24,654
Interest[1]	45
Securities Lending—Net	63
Total Income	24,762
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	403
Management and Administrative	2,303
Marketing and Distribution	247
Custodian Fees	62
Auditing Fees	36
Shareholders' Reports and Proxy	63
Trustees' Fees and Expenses	1
Total Expenses	3,115
Net Investment Income	**21,647**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	87,815
Futures Contracts	495
Realized Net Gain (Loss)	**88,310**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[1]	175,599
Futures Contracts	109
Change in Unrealized Appreciation (Depreciation)	**175,708**
Net Increase (Decrease) in Net Assets Resulting from Operations	**285,665**

1 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were $43,000, ($3,000), and $0, respectively.

Statement of Changes in Net Assets

	Year Ended December 31, 2017 ($000)	Year Ended December 31, 2016 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	21,647	19,533
Realized Net Gain (Loss)	88,310	70,665
Change in Unrealized Appreciation (Depreciation)	175,708	57,698
Net Increase (Decrease) in Net Assets Resulting from Operations	285,665	147,896
Distributions		
Net Investment Income	(19,300)	(18,997)
Realized Capital Gain[1]	(70,544)	(94,466)
Total Distributions	(89,844)	(113,463)
Capital Share Transactions		
Issued	246,883	179,071
Issued in Lieu of Cash Distributions	89,844	113,463
Redeemed	(223,550)	(195,109)
Net Increase (Decrease) from Capital Share Transactions	113,177	97,425
Total Increase (Decrease)	308,998	131,858
Net Assets		
Beginning of Period	**1,495,248**	**1,363,390**
End of Period[2]	**1,804,246**	**1,495,248**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $1,194,000 and $0, respectively. Short-term gain distributions are treated as ordinary income for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $20,372,000 and $18,025,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	**$21.11**	**$20.76**	**$22.49**	**$20.77**	**$16.13**
Investment Operations					
Net Investment Income	.292[1]	.280	.291	.266	.203
Net Realized and Unrealized Gain (Loss) on Investments	3.575	1.814	(.552)	2.446	5.262
Total from Investment Operations	3.867	2.094	(.261)	2.712	5.465
Distributions					
Dividends from Net Investment Income	(.270)	(.292)	(.268)	(.200)	(.200)
Distributions from Realized Capital Gains	(.987)	(1.452)	(1.201)	(.792)	(.625)
Total Distributions	(1.257)	(1.744)	(1.469)	(.992)	(.825)
Net Asset Value, End of Period	**$23.72**	**$21.11**	**$20.76**	**$22.49**	**$20.77**
Total Return	**19.08%**	**11.11%**	**-1.43%**	**13.59%**	**34.93%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$1,804	$1,495	$1,363	$1,364	$1,172
Ratio of Total Expenses to Average Net Assets	0.19%	0.19%	0.19%	0.24%	0.25%
Ratio of Net Investment Income to Average Net Assets	1.32%	1.40%	1.35%	1.29%	1.15%
Portfolio Turnover Rate	18%	21%	23%	16%	35%

1 Calculated based on average shares outstanding.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard Mid-Cap Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the year ended December 31, 2017, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2014–2017), and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned.

The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at December 31, 2017, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2017, the portfolio had contributed to Vanguard capital in the amount of $98,000, representing 0.01% of the portfolio's net assets and 0.04% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of December 31, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,804,350	—	—
Temporary Cash Investments	2,143	499	—
Futures Contracts—Liabilities[1]	(9)	—	—
Total	1,806,484	499	—

1 Represents variation margin on the last day of the reporting period.

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For tax purposes, at December 31, 2017, the portfolio had $24,501,000 of ordinary income and $85,314,000 of long-term capital gains available for distribution.

At December 31, 2017, the cost of investment securities for tax purposes was $1,346,706,000. Net unrealized appreciation of investment securities for tax purposes was $460,286,000, consisting of unrealized gains of $503,318,000 on securities that had risen in value since their purchase and $43,032,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the year ended December 31, 2017, the portfolio purchased $342,232,000 of investment securities and sold $287,496,000 of investment securities, other than temporary cash investments.

The fund purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the year ended December 31, 2017, such purchases and sales were $25,083,000 and $92,183,000, respectively; these amounts are included in the purchases and sales of investment securities noted above.

F. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2017 Shares (000)	2016 Shares (000)
Issued	11,082	8,958
Issued in Lieu of Cash Distributions	4,272	6,032
Redeemed	(10,126)	(9,815)
Net Increase (Decrease) in Shares Outstanding	5,228	5,175

At December 31, 2017, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 45% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

G. Management has determined that no material events or transactions occurred subsequent to December 31, 2017, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of Mid-Cap Index Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Mid-Cap Index Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2018

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

Special 2017 tax information (unaudited) for corporate shareholders only for Vanguard Mid-Cap Index Portfolio, a portfolio of Vanguard Variable Insurance Funds

This information for the fiscal year ended December 31, 2017, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The portfolio distributed $69,350,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

For corporate shareholders, 76.6% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

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 December 31, 2017

Mid-Cap Index Portfolio	Beginning Account Value 6/30/2017	Ending Account Value 12/31/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,092.08	$1.00
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.25	0.97

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.19%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 201 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Chief Executive Officer and Director of The Vanguard Group and President and Chief Executive Officer of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; President of The Vanguard Group (2008–2017); Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College; Trustee of the University of Rochester.

Rajiv L. Gupta

Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Arconic Inc. (diversified manufacturer), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center.

JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the Executive Committee (1997–2008), Chief Global Diversity Officer (retired 2008), Vice President and Chief Information Officer (1997–2006), Controller (1995–1997), Treasurer (1991–1995), and Assistant Treasurer (1989–1991) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; Director of the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and Chair of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Member of the Council on Chicago Booth.

Scott C. Malpass

Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, the Board of Catholic Investment Services, Inc. (investment advisor), and the Board of Superintendence of the Institute for the Works of Religion; Chairman of the Board of TIFF Advisory Services, Inc. (investment advisor).

André F. Perold

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Co-Managing Partner of HighVista Strategies LLC (private investment firm); Overseer of the Museum of Fine Arts Boston.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem
Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

Christine M. Buchanan
Born 1970. Treasurer Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Global Head of Vanguard Fund Administration at The Vanguard Group; Partner at KPMG LLP (2005–2017).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Anne E. Robinson
Born 1970. Secretary Since September 2016. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

Michael Rollings
Born 1963. Finance Director Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Director of Vanguard Marketing Corporation; Treasurer of each of the investment companies served by The Vanguard Group (February 2017–November 2017); Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

P.O. Box 2600
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Fund Information > 800-662-7447

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Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the *Statement of Additional Information* contains a more detailed description of the limited relationship MSCI has with The Vanguard Group.

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Performance Summary Fourth Quarter 2017

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

	Nonstandardized[1] Total Returns		Standardized[1] Total Returns for Periods Ended 12/31/2017				Annualized Current Yield* for Period Ended 12/31/2017
Portfolio/Subaccount (Inception Date)	**Fourth Quarter 2017**	**YTD 2017**	**1 Year**	**5 Years**	**10 Years**	**Since Inception**	
Money Market** (5/2/1991)	**0.23%**	**0.72%**	**0.71%**	**0.07%**	**0.28%**	**2.45%**	**1.05%**
Citigroup 3-Month U.S. Treasury Bill Index	0.28	0.84	0.84	0.23	0.34	2.62	
Short-Term Investment-Grade (2/8/1999)	**–0.17**	**1.80**	**1.79**	**1.45**	**2.69**	**3.53**	
Bloomberg Barclays U.S. 1–5 Year Credit Index	–0.13	2.32	2.32	1.83	3.49	4.44	
Total Bond Market Index (4/29/1991)	**0.27**	**3.18**	**3.18**	**1.64**	**3.57**	**5.20**	
Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index[2]	0.41	3.63	3.63	2.10	4.03	5.87	
High Yield Bond (6/3/1996)[3]	**–0.07**	**6.70**	**6.69**	**4.71**	**6.30**	**5.86**	
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.47	7.50	7.50	5.78	8.03	7.20	
Conservative Allocation (10/19/2011)[4]	**2.55**	**10.57**	**10.56**	**—**	**—**	**6.83**	
Conservative Allocation Composite Index	2.73	10.95	10.95	6.74	—	7.30	
Moderate Allocation (10/19/2011)[4]	**3.56**	**14.47**	**14.47**	**8.38**	**—**	**8.99**	
Moderate Allocation Composite Index	3.83	14.88	14.88	8.90	—	9.48	
Balanced (5/23/1991)[4]	**4.43**	**14.39**	**14.39**	**10.59**	**7.23**	**9.20**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Balanced Composite Index	4.61	15.76	15.76	11.24	7.46	8.84	
Total Stock Market Index (5/1/2003)	**6.20**	**20.62**	**20.62**	**15.05**	**8.17**	**9.82**	
Spliced Total Market Index***	6.33	21.16	21.16	15.52	8.58	10.22	
Equity Index (4/29/1991)	**6.53**	**21.31**	**21.30**	**15.29**	**8.06**	**9.34**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Large-Cap Core Funds Average	5.93	20.32	20.32	14.22	7.12	8.55	
Equity Income (6/7/1993)	**6.31**	**17.91**	**17.91**	**14.40**	**8.37**	**9.62**	
Spliced Equity Income Index****	6.31	16.51	16.51	15.16	8.70	10.53	
Diversified Value (2/8/1999)	**5.37**	**12.83**	**12.83**	**11.79**	**6.32**	**6.95**	
Russell 1000 Value Index	5.33	13.66	13.66	14.04	7.10	7.07	
Growth (6/7/1993)	**6.07**	**30.54**	**30.54**	**16.23**	**8.72**	**7.15**	
Russell 1000 Growth Index	7.86	30.21	30.21	17.33	10.00	9.37	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.69	
Capital Growth (5/1/2003)	**6.93**	**28.46**	**28.46**	**18.82**	**10.93**	**12.53**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.81	
Mid-Cap Index (2/9/1999)[5]	**5.53**	**18.74**	**18.73**	**14.52**	**8.47**	**10.02**	
Spliced Mid Cap Index*****	5.65	19.30	19.30	15.06	8.96	10.41	
Small Company Growth (6/3/1996)[5]	**5.14**	**23.11**	**23.11**	**15.55**	**10.12**	**10.65**	
Russell 2500 Growth Index	6.35	24.46	24.46	15.47	9.62	8.06	
Variable Insurance Small-Cap Growth Funds Average	5.18	23.89	23.89	14.37	8.37	7.20	
REIT Index (2/9/1999)[6]	**1.24**	**4.47**	**4.47**	**8.77**	**7.10**	**10.09**	
REIT Spliced Index†	1.41	5.07	5.07	9.34	7.63	10.65	
International (6/3/1994)[7]	**3.88**	**42.26**	**42.26**	**10.48**	**4.36**	**7.32**	
Spliced International Index††	5.00	27.19	27.19	6.80	1.23	4.89	
Total International Stock Market Index (9/7/2017)	**4.83**	**—**	**—**	**—**	**—**	**5.66**	
FTSE Global All Cap ex US Index	—	—	—	—	—	0.93	
Global Bond Index (9/7/2017)	**0.53**	**—**	**—**	**—**	**—**	**–0.24**	
Global Bond Composite Index	—	—	—	—	—	–0.79	

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*Seven-day yield for the Money Market Portfolio; the annualized yield reflects the current earnings of the portfolio more closely than the total returns shown.

The Fund is only available to retail investors (natural persons). 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. The Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. 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.

***Spliced Total Market Index: Dow Jones Wilshire 5000 Index through June 17, 2005; S&P Total Market Index thereafter.

****Spliced Equity Income Index: Russell 1000 Value Index through July 31, 2007; FTSE High Dividend Yield Index thereafter.

*****Spliced Mid Cap Index: S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

† MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

†† The portfolio adopted the MSCI All Country World Index ex USA on June 1, 2010, as its target index, replacing the MSCI EAFE Index. The Spliced International Index reflects performance of the MSCI EAFE Index through May 31, 2010, and performance of the MSCI All Country World Index ex USA thereafter.

[1]The "nonstandardized" quarter and year-to-date returns are unadjusted. The "standardized" one-, five-, and ten-year period returns are adjusted for the $25 annual fee charged on contracts valued at less than $25,000. With respect to contracts issued in New York State, performance figures shown are based on the actual performance of Vanguard Variable Insurance Fund as if the contracts were being offered in New York prior to their first New York offering date in November 1992. Distributions taken prior to age 59½ may be subject to a 10% federal penalty tax.

[2]Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

[3]Because high-yield bonds are considered speculative, investors should be prepared to assume a substantially greater level of risk than with other types of bonds.

[4]These investments are eligible for the Guaranteed Lifetime Withdrawal Benefit.

[5]A portfolio that concentrates its investments in small- and mid-capitalization stocks may be more volatile than a portfolio that invests in large-capitalization stocks.

[6]A portfolio that concentrates its investments in one economic sector or geographic region faces the risk of higher share-price volatility.

[7]Foreign stock prices are subject to the same influences as domestic stocks, but international investing can involve additional risks and expenses that can increase the potential for losses in the portfolio (for example, changes in currency rates, higher transaction costs, less stable economies and political structures, and differences in auditing and other financial standards).

Average portfolio performance is based on data provided by Lipper, a Thomson Reuters Company.

The returns presented in the table on the reverse take into account the reinvestment of all dividends and capital gains, reduced by a daily mortality and expense risk charge. The daily mortality and expense risk charge corresponds to an annual fee of 0.19% and an administrative charge that corresponds to an annual fee of 0.10%.

Variable annuities are long-term, tax-deferred investment vehicles that are designed for retirement investing. They offer investment options through subaccounts and insurance features such as annuitization and death benefit options.

Only the subaccounts bolded in the table on the reverse are available through the Vanguard Variable Annuity.

Please reference the Vanguard Variable Insurance Fund prospectus for more information regarding risk.

The Vanguard Variable Annuity is a flexible-premium variable annuity issued by Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (NAIC No. 66281), and in New York State only, by Transamerica Financial Life Insurance Company, Harrison, New York (NAIC No. 70688). Form No. VVAP U 1101 (in Florida, Form No. VVAP U 1101 (FL), in Oregon, Form No. VVAP U 1101 (OR) (R), and in New York, VVA NY 0208(R13)). GLWB Rider Form No. RGMB 43 0811 (in Florida, RGMB 43 0811 (SI)(FL), RGMB 43 0811 (JT)(FL), in Oregon, RGMB 43 0811 (SI)(OR), RGMB 43 0811 (JT)(OR), and in New York, RGMB 43 0811 (SI)(NY) (REV), RGMB 43 0811 (JT)(NY) (REV)), without agent representation. Policy and rider form numbers may vary by state and may not be available in all states. The Vanguard Group administers the Vanguard Variable Annuity for the issuer. Its variable annuity and investment costs rank among the lowest in the industry, according to Morningstar, Inc., December 2016. The Vanguard Group, Transamerica Premier Life Insurance Company, and Transamerica Financial Life Insurance Company do not provide tax advice. Investors are encouraged to consult a tax advisor for information on how annuity taxation applies to their individual situations.

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For more information about the Vanguard Variable Annuity, visit vanguard.com or call 800-522-5555 to obtain fund and variable annuity contract prospectuses. Investment objectives, risks, charges, expenses, and other important information about the product are contained in the prospectus; read and consider it carefully before investing.

Vanguard®

Annual Report | December 31, 2017

Vanguard Variable Insurance Fund

REIT Index Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

A Message from Vanguard's Chairman

Dear Planholder,

Lately I've been asked a lot about my legacy. And candidly, that phrase bugs me—it isn't my legacy. Vanguard's success is a result of thousands of my colleagues committing to a clear mission: helping investors achieve their financial goals.

The reason the topic has come up is that on December 31, 2017, I officially stepped down as Vanguard's CEO after almost a decade in that role. I'll remain chairman for a period to be determined by the board of directors. Tim Buckley, who was previously Vanguard's president and chief investment officer, was elected CEO. I can't think of a better successor.

I've spent 32 years at Vanguard—almost my entire professional life—and during that time I've had the good fortune of working with smart, principled colleagues from across the world. I've learned from each of them.

In particular, I would like to thank Jack Bogle, our founder, who took a chance on me when I was a young business school graduate, and Jack Brennan, my predecessor as CEO, who constantly challenged me with new roles and responsibilities.

When you're just starting out, there is nothing quite like getting votes of confidence from people you respect.

The short list

A milestone like this naturally brings about some reflection. With that in mind, here's a tally—by no means exhaustive—of the accomplishments that *we* at Vanguard are proud of:

Low costs. Over the last decade, we cut our average asset-weighted expense ratio by about 50%.[1] This isn't a result of some contrived price war. Since its founding, Vanguard has emphasized the benefits of low-cost investing. As Jack Bogle once said: "The honest steward who charges least, wins most. But not for himself; for those investors who entrust their assets to his care. It is not all that complicated."

Global diversification. Through our thought leadership and investment options, such as our target-date funds, Vanguard has encouraged clients to obtain exposure to international markets.

Global diversification isn't just about helping to control risk—it can also be a way of expanding your set of opportunities and harnessing the potential of all markets.

I've been glad to see more and more clients embracing global diversification. I believe this trend will continue as Vanguard's way of investing takes hold in international markets.

Affordable advice. In the wake of the 2008–2009 Global Financial Crisis, we began working on a new advice model. In 2015, we launched Vanguard Personal Advisor Services®, a hybrid advice offering that delivers value through a combination of a professional advisor and powerful digital technology at a competitive price.

Across the industry, we've seen the cost of providing advice coming down. Traditional advisors are embracing low-cost investments, and that, in turn, helps them reduce costs for their own clients. This is a trend that all of us at Vanguard would like to see continue.

Great people. I've interacted with hundreds of companies of all sizes and in all industries, and the one quality that sets Vanguard apart from most of them is our emphasis on people. It's a testament to our culture that colleagues spend 15, 20, or, as in my case, more than 30 years of their professional lives here. Investors benefit because we have consistent, experienced fund management teams and a deep bench of talent that ensures that things go smoothly when it's time for a transition.

We've done a great job attracting new talent, too. We made some notable additions to senior management in the last two years, and we're continuously grooming our next generation of leaders.

Ready for what comes next

When I was contemplating coming to work at Vanguard, I sat down with my rowing coach at his home in Philadelphia. Over cheesesteaks, he told me that the most important thing was to work for a company that had the same values I held deeply. He was like a second father to me, so I trusted his judgment at a time when I wasn't so sure about my own. Back then, I never could have anticipated the success Vanguard would have in the coming decades.

I'm no better at predicting the future now. Vanguard has enjoyed significant growth in the last few years, and that presents its own unique set of challenges and opportunities, such as the role we're

1 Source: Vanguard calculation, based on data from Morningstar, Inc., as of December 31, 2016.

playing in advocating for better corporate governance among companies our funds invest in. And the asset management industry is confronting significant changes brought on by technology, shifting demographics, and new regulations.

Although the future is uncertain, I'm confident that Vanguard is well-prepared to tackle whatever comes its way. And one thing I'm sure of: There are big parts of the world that would be well-served by our way of investing.

It's humbling to think about the impact the work we do at Vanguard has on clients who are trying to raise a family, buy a first home, save for college, or prepare for retirement. I've always tried to make decisions with investors' best interests in mind. It has been a privilege working with people who hold to that same ideal.

Thank you for entrusting us with your assets.

Sincerely,

F. William McNabb III
Chairman
January 1, 2018

Market Perspective

U.S. stocks posted record highs as earnings and economy clicked

U.S. stocks generated robust results for the 12 months ended December 31, 2017, powered by rising corporate earnings, investors' willingness to pay more for those earnings, and broad-based global economic expansion. For the ninth straight calendar year, U.S. stocks recorded gains when dividends are factored into returns. The Federal Reserve acknowledged the health of the economy, raising interest rates in December for the third time in 2017.

The broad U.S. stock market reached numerous record highs and finished the year up 21.13%. Stocks also benefited from the passage of tax-reform legislation and the possibility of less government regulation and more fiscal stimulus in the form of infrastructure spending.

Growth stocks widely exceeded their value counterparts, while large-capitalization stocks surpassed small-caps. Nine of the 11 industry sectors advanced. Information technology climbed about 37%, while materials, health care, industrials, and financials also rose more than 20%. Telecommunication services and energy were the only sectors to decline.

International stocks fared even better than their U.S. brethren, returning 27.11%—a result that was enhanced for U.S. investors by the dollar's weakness against a number of foreign currencies. Investors were also attracted to international stocks' relatively inexpensive valuations. Emerging-market stocks led those from the developed markets of Europe and the Pacific region, but gains were notable across the board.

Demand from investors helped boost bond prices

The Fed's three interest rate increases in 2017 didn't dissuade investors, who requested bonds even as stocks continued to surge. Inflation expectations were generally muted, which contributed to lower yields for longer-dated U.S. Treasuries and thus to higher bond prices. (Bond prices and yields move in opposite directions.) Bonds also drew support from various central banks' accommodative monetary policies.

The broad U.S. bond market returned 3.54% for the period. Investment-grade corporate bonds outperformed Treasuries and mortgage-backed securities. The yield of the benchmark 10-year Treasury note dipped slightly, closing December at 2.41%, from 2.45% a year earlier.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 10.51%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds. The Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged) returned 2.57%.

Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2017		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	21.69%	11.23%	15.71%
Russell 2000 Index (Small-caps)	14.65	9.96	14.12
Russell 3000 Index (Broad U.S. market)	21.13	11.12	15.58
FTSE All-World ex US Index (International)	27.11	8.27	7.19
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	3.54%	2.24%	2.10%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	5.45	2.98	3.02
Citigroup Three-Month U.S. Treasury Bill Index	0.84	0.37	0.23
CPI			
Consumer Price Index	2.11%	1.64%	1.43%

Vanguard® REIT Index Portfolio

Real estate investment trusts trailed the broad U.S. stock market during the twelve months ended December 31, 2017, as rising interest rates limited their investment appeal. Vanguard REIT Index Portfolio returned 4.78% for the fiscal year, in line with its target index and a step behind the average return of its peer funds.

The portfolio seeks to provide a high level of income and moderate long-term capital appreciation by tracking a benchmark index that measures the performance of publicly traded equity REITs.

The table below shows the returns of your portfolio and its comparative standards for the period. For additional perspective, we also present the portfolio's annualized returns for the ten years ended December 31, 2017.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

Fed tightening limited REITs' appeal

In December, the Federal Reserve raised the federal funds target rate one-quarter of a percentage point, to between 1.25% and 1.50%. It was the third increase in 2017 and the fifth since December 2015. REITs lagged the broader stock market because higher interest rates raised their debt-financing costs, eroding profit margins. In such an environment, investors may swap REITs for income-generating investments that bear less risk.

Despite the modest returns, seven of the ten subsets of the REIT market finished the period in positive territory. With a return of more than 22%, industrial REITs, which own and manage industrial facilities and rent space in those properties, led the way. The gain was due in part to the growth of e-commerce and warehouse users expanding into urban areas. Specialized REITs, which include storage facilities, data centers, and entertainment and athletic complexes, also produced double-digit returns.

Hotel and resort, residential, diversified, office, and health care REITs also contributed to performance.

Mortgage REITs and retail REITs—the sector's largest group—were the biggest detractors. Retail REITs were held back by a general decline in the popularity of malls, store closures by national retailers, and an increase in online shopping.

Changes to the fund

To provide broader exposure to the real estate market, Vanguard has filed changes with the U.S. Securities and Exchange Commission to update the investment objective and principal investment strategies of Vanguard Variable Insurance Fund-REIT Index Portfolio. As part of this filing, the benchmark index of the portfolio was updated on January 18, 2018, from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Index. Vanguard also updated the name of the portfolio to Vanguard Variable Insurance Fund-Real Estate Index Portfolio.

Total Returns

	Year Ended December 31, 2017	Ten Years Ended December 31, 2017 Average Annual Return
Vanguard REIT Index Portfolio	4.78%	7.42%
REIT Spliced Index[1]	5.07	7.63
Variable Insurance Real Estate Funds Average[2]	5.33	5.81

The figures shown represent past performance, which is not a guarantee of future results. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

Expense Ratios[3]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Real Estate Funds Average
REIT Index Portfolio	0.27%	1.13%

1 MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

2 Derived from data provided by Lipper, a Thomson Reuters Company.

3 The portfolio expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the portfolio's expense ratio was 0.27%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*
The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	1,944,141,093	99,613,853	95.1%
Emerson U. Fullwood	1,941,634,789	102,120,157	95.0%
Amy Gutmann	1,936,277,120	107,477,826	94.7%
JoAnn Heffernan Heisen	1,932,975,342	110,779,604	94.6%
F. Joseph Loughrey	1,942,078,522	101,676,424	95.0%
Mark Loughridge	1,945,099,950	98,654,996	95.2%
Scott C. Malpass	1,936,871,738	106,883,208	94.8%
F. William McNabb III	1,943,389,639	100,365,307	95.1%
Deanna Mulligan	1,935,898,722	107,856,224	94.7%
André F. Perold	1,929,764,167	113,990,779	94.4%
Sarah Bloom Raskin	1,932,581,664	111,173,282	94.6%
Peter F. Volanakis	1,939,733,490	104,021,455	94.9%

* Results are for all funds within the same trust.

Proposal 2—Approve a manager-of-managers arrangement with third-party investment advisors.
This arrangement enables the fund to enter into and materially amend investment advisory arrangements with third-party investment advisors, subject to the approval of the fund's board of trustees and certain conditions imposed by the Securities and Exchange Commission, while avoiding the costs and delays associated with obtaining future shareholder approval.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Portfolio	60,054,985	3,409,649	3,002,373	0	90.4%

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.
This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Portfolio	60,180,560	3,536,715	2,749,732	0	90.5%

Proposal 4—Change the investment objective of the REIT Index Portfolio of Vanguard Variable Insurance Fund.
The revised investment objective will broaden the portfolio's investable universe to include real estate-related investments, such as certain specialized real estate investment trusts (REITs) and real estate management and development companies. The portfolio will continue to invest in publicly traded equity REITs.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Portfolio	56,453,274	6,017,926	3,995,808	0	84.9%

Portfolio Profile

As of December 31, 2017

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	153	152	3,775
Median Market Cap	$10.3B	$10.3B	$66.9B
Price/Earnings Ratio	34.2x	34.2x	22.8x
Price/Book Ratio	2.3x	2.3x	3.0x
Dividend Yield[3]	4.0%	4.0%	1.7%
Return on Equity	5.0%	5.0%	15.1%
Earnings Growth Rate	17.0%	17.0%	9.9%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate	10%	—	—
Expense Ratio[4]	0.27%	—	—
Short-Term Reserves	-0.1%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	1.00	0.19
Beta	1.00	0.57

Portfolio Allocation by REIT Type

Retail	19.6%
Residential	16.2
Office	13.2
Health Care	11.4
Specialized	18.0
Hotel & Resort	6.7
Diversified	7.4
Industrial	7.5

Ten Largest Holdings[5] (% of total net assets)

Simon Property Group Inc.	Retail REITs	6.2%
Equinix Inc.	Specialized REITs	4.1
Prologis Inc.	Industrial REITs	4.0
Public Storage	Specialized REITs	3.8
AvalonBay Communities Inc.	Residential REITs	2.9
Welltower Inc.	Health Care REITs	2.7
Equity Residential	Residential REITs	2.7
Digital Realty Trust Inc.	Specialized REITs	2.7
Ventas Inc.	Health Care REITs	2.5
Boston Properties Inc.	Office REITs	2.3
Top Ten		33.9%

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Dividend Yield. Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a portfolio). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a portfolio, the dividend yield is based solely on stock holdings and does not include any income produced by other investments.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 MSCI US REIT Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 This dividend yield may include some payments that represent a return of capital, capital gains distribution, or both by the underlying REITs. These amounts are determined by each REIT at the end of its fiscal year.

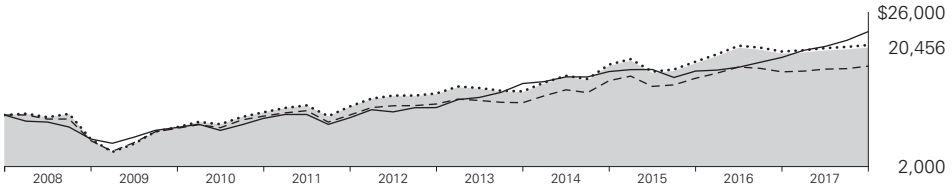
4 The expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the REIT Index Portfolio's expense ratio was 0.27%.

5 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

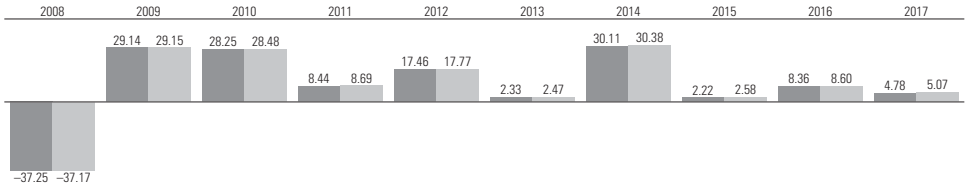
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Cumulative Performance: December 31, 2007–December 31, 2017
Initial Investment of $10,000



	Average Annual Total Returns Periods Ended December 31, 2017			Final Value of a $10,000 Investment
	One Year	Five Years	Ten Years	
REIT Index Portfolio	4.78%	9.09%	7.42%	$20,456
REIT Spliced Index[1]	5.07	9.34	7.63	20,857
Variable Insurance Real Estate Funds Average[2]	5.33	8.48	5.81	17,588
Dow Jones U.S. Total Stock Market Float Adjusted Index	21.16	15.52	8.66	22,948

Fiscal Year Total Returns (%): December 31, 2007–December 31, 2017



REIT Index Portfolio
REIT Spliced Index[1]

1 MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
See Financial Highlights for dividend and capital gains information.

Financial Statements

Statement of Net Assets

As of December 31, 2017

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Equity Real Estate Investment Trusts (REITs) (99.8%)[1]		
Diversified REITs (7.4%)		
VEREIT Inc.	1,222,443	9,523
WP Carey Inc.	133,814	9,220
Liberty Property Trust	184,349	7,929
Colony NorthStar Inc. Class A	655,533	7,480
Forest City Realty Trust Inc. Class A	267,262	6,441
STORE Capital Corp.	214,462	5,584
Gramercy Property Trust	190,431	5,077
Spirit Realty Capital Inc.	575,428	4,937
Empire State Realty Trust Inc.	167,789	3,445
PS Business Parks Inc.	25,638	3,207
Washington REIT	96,469	3,002
Lexington Realty Trust	271,676	2,622
Select Income REIT	83,783	2,105
Global Net Lease Inc.	84,343	1,736
American Assets Trust Inc.	44,538	1,703
Alexander & Baldwin Inc.	58,388	1,620
* iStar Inc.	82,383	931
Armada Hoffler Properties Inc.	56,725	881
Investors Real Estate Trust	149,731	850
Gladstone Commercial Corp.	34,350	723
One Liberty Properties Inc.	17,617	457
2 Winthrop Realty Trust	32,397	217
		79,690
Health Care REITs (11.4%)		
Welltower Inc.	462,192	29,474
Ventas Inc.	446,228	26,778
HCP Inc.	587,892	15,332
Healthcare Trust of America Inc. Class A	251,333	7,550
^ Omega Healthcare Investors Inc.	246,967	6,801
Medical Properties Trust Inc.	456,079	6,285
Senior Housing Properties Trust	297,798	5,703
Healthcare Realty Trust Inc.	155,380	4,991
Sabra Health Care REIT Inc.	219,762	4,125
Physicians Realty Trust	222,060	3,995
National Health Investors Inc.	51,315	3,868
LTC Properties Inc.	49,600	2,160
* Quality Care Properties Inc.	118,498	1,636
CareTrust REIT Inc.	95,826	1,606
Universal Health Realty Income Trust	16,077	1,208
New Senior Investment Group Inc.	101,824	770
Community Healthcare Trust Inc.	15,656	440
		122,722
Hotel & Resort REITs (6.7%)		
Host Hotels & Resorts Inc.	927,368	18,408
Hospitality Properties Trust	205,890	6,146
Park Hotels & Resorts Inc.	202,009	5,808
Apple Hospitality REIT Inc.	265,879	5,214
RLJ Lodging Trust	219,397	4,820
Sunstone Hotel Investors Inc.	283,043	4,679
Ryman Hospitality Properties Inc.	57,635	3,978
LaSalle Hotel Properties	141,536	3,973
Pebblebrook Hotel Trust	86,319	3,208
Xenia Hotels & Resorts Inc.	134,282	2,899
DiamondRock Hospitality Co.	251,056	2,834
MGM Growth Properties LLC Class A	86,337	2,517
Chesapeake Lodging Trust	75,645	2,049
Summit Hotel Properties Inc.	130,836	1,993
Chatham Lodging Trust	56,864	1,294
Hersha Hospitality Trust Class A	52,029	905
Ashford Hospitality Trust Inc.	122,095	822
Ashford Hospitality Prime Inc.	33,152	323
		71,870
Industrial REITs (7.4%)		
Prologis Inc.	666,392	42,989
Duke Realty Corp.	446,179	12,141
DCT Industrial Trust Inc.	116,472	6,846
First Industrial Realty Trust Inc.	150,549	4,738
EastGroup Properties Inc.	42,972	3,798
STAG Industrial Inc.	115,678	3,161
Rexford Industrial Realty Inc.	89,252	2,603
Terreno Realty Corp.	65,891	2,310
Monmouth Real Estate Investment Corp.	84,661	1,507
		80,093
Office REITs (13.2%)		
Boston Properties Inc.	193,395	25,147
Vornado Realty Trust	213,832	16,717
Alexandria Real Estate Equities Inc.	117,413	15,333
SL Green Realty Corp.	124,184	12,534
Kilroy Realty Corp.	123,167	9,195
Douglas Emmett Inc.	193,927	7,963
Hudson Pacific Properties Inc.	194,485	6,661
Highwoods Properties Inc.	129,198	6,578
Cousins Properties Inc.	527,143	4,876
* Equity Commonwealth	155,907	4,757
JBG SMITH Properties	118,266	4,107
Paramount Group Inc.	253,815	4,023
Brandywine Realty Trust	219,316	3,989
Corporate Office Properties Trust	124,390	3,632
Piedmont Office Realty Trust Inc. Class A	181,985	3,569
Columbia Property Trust Inc.	151,652	3,480
Mack-Cali Realty Corp.	107,426	2,316
Government Properties Income Trust	120,260	2,230
Franklin Street Properties Corp.	127,363	1,368
Tier REIT Inc.	59,597	1,215
Easterly Government Properties Inc.	48,421	1,033
NorthStar Realty Europe Corp.	65,245	876
New York REIT Inc.	208,826	821
		142,420
Residential REITs (16.2%)		
AvalonBay Communities Inc.	173,062	30,876
Equity Residential	460,249	29,350
Essex Property Trust Inc.	82,686	19,958
Mid-America Apartment Communities Inc.	142,240	14,304
UDR Inc.	335,580	12,927
Camden Property Trust	116,265	10,703
Equity LifeStyle Properties Inc.	103,452	9,209
Invitation Homes Inc.	389,612	9,183
Sun Communities Inc.	97,552	9,051
Apartment Investment & Management Co.	196,491	8,589
American Campus Communities Inc.	171,010	7,016
American Homes 4 Rent Class A	292,834	6,395
Education Realty Trust Inc.	91,578	3,198
Independence Realty Trust Inc.	101,962	1,029
Preferred Apartment Communities Inc. Class A	40,590	822
Altisource Residential Corp.	63,015	747
NexPoint Residential Trust Inc.	22,287	623
UMH Properties Inc.	38,932	580
		174,560
Retail REITs (19.5%)		
Simon Property Group Inc.	389,548	66,901
Realty Income Corp.	343,536	19,588
GGP Inc.	773,755	18,098
Regency Centers Corp.	192,019	13,284
Federal Realty Investment Trust	90,623	12,036

	Shares	Market Value• ($000)
Macerich Co.	150,506	9,885
Kimco Realty Corp.	532,859	9,671
National Retail Properties Inc.	186,917	8,062
Brixmor Property Group Inc.	381,603	7,121
Weingarten Realty Investors	153,105	5,033
Taubman Centers Inc.	76,263	4,990
Retail Properties of America Inc.	288,815	3,882
Urban Edge Properties	142,366	3,629
DDR Corp.	392,583	3,517
Tanger Factory Outlet Centers Inc.	118,919	3,152
Acadia Realty Trust	104,941	2,871
Retail Opportunity Investments Corp.	137,842	2,750
Kite Realty Group Trust	103,152	2,022
Agree Realty Corp.	35,945	1,849
Washington Prime Group Inc.	233,561	1,663
Ramco-Gershenson Properties Trust	99,157	1,461
Seritage Growth Properties Class A	31,219	1,263
CBL & Associates Properties Inc.	215,862	1,222
Alexander's Inc.	2,879	1,140
Getty Realty Corp.	41,696	1,132
Pennsylvania REIT	87,096	1,036
Saul Centers Inc.	16,258	1,004
Urstadt Biddle Properties Inc. Class A	37,178	808
Cedar Realty Trust Inc.	113,540	690
Whitestone REIT	47,676	687
		210,447
Specialized REITs (18.0%)		
Equinix Inc.	97,664	44,263
Public Storage	196,214	41,009
Digital Realty Trust Inc.	257,037	29,276
Extra Space Storage Inc.	157,738	13,794
Iron Mountain Inc.	332,295	12,537
Gaming and Leisure Properties Inc.	252,685	9,349
CubeSmart	225,647	6,526
CyrusOne Inc.	108,611	6,466
EPR Properties	92,248	6,039
Life Storage Inc.	58,394	5,201
CoreSite Realty Corp.	43,044	4,903
GEO Group Inc.	155,185	3,662
CoreCivic Inc.	147,964	3,329
QTS Realty Trust Inc. Class A	61,054	3,307
Four Corners Property Trust Inc.	77,092	1,981
National Storage Affiliates Trust	62,314	1,699
		193,341
Total Equity Real Estate Investment Trusts (REITs) (Cost $1,058,699)		**1,075,143**
Temporary Cash Investments (0.2%)[1]		
Money Market Fund (0.2%)		
[3,4] Vanguard Market Liquidity Fund, 1.458%	17,513	1,751
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.0%)		
[5] United States Treasury Bill, 1.116%, 2/22/18	200	200
Total Temporary Cash Investments (Cost $1,951)		**1,951**
Total Investments (100.0%) (Cost $1,060,650)		**1,077,094**

	Amount ($000)
Other Assets and Liabilities (0.0%)	
Other Assets	
Investment in Vanguard	60
Receivables for Accrued Income	6,482
Receivables for Capital Shares Issued	204
Other Assets	1
Total Other Assets	**6,747**
Liabilities	
Payables for Investment Securities Purchased	(4,892)
Collateral for Securities on Loan	(539)
Payables for Capital Shares Redeemed	(735)
Payables to Vanguard	(825)
Variation Margin Payable—Futures Contracts	(2)
Total Liabilities	**(6,993)**
Net Assets (100%)	
Applicable to 81,931,822 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,076,848**
Net Asset Value Per Share	**$13.14**

At December 31, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	992,378
Undistributed Net Investment Income	30,013
Accumulated Net Realized Gains	38,018
Unrealized Appreciation (Depreciation)	
Investment Securities	16,444
Futures Contracts	(5)
Net Assets	**1,076,848**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $512,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.0% and 0.0%, respectively, of net assets.

2 Security value determined using significant unobservable inputs.

3 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

4 Includes $539,000 of collateral received for securities on loan.

5 Securities with a value of $200,000 have been segregated as initial margin for open futures contracts.

REIT—Real Estate Investment Trust.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				($000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
Dow Jones U.S. Real Estate Index	March 2018	65	2,089	(5)
				(5)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Year Ended December 31, 2017 ($000)
Investment Income	
Income	
Dividends	33,814
Interest[1]	11
Securities Lending—Net	5
Total Income	33,830
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	267
Management and Administrative	2,346
Marketing and Distribution	168
Custodian Fees	41
Auditing Fees	39
Shareholders' Reports and Proxy	47
Trustees' Fees and Expenses	1
Total Expenses	2,909
Net Investment Income	**30,921**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	31,813
Futures Contracts	140
Capital Gain Distributions Received	6,066
Realized Net Gain (Loss)	**38,019**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[1]	(18,199)
Futures Contracts	(5)
Change in Unrealized Appreciation (Depreciation)	**(18,204)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**50,736**

1 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were $8,000, $0, and $0, respectively.

Statement of Changes in Net Assets

	Year Ended December 31, 2017 ($000)	Year Ended December 31, 2016 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	30,921	26,906
Realized Net Gain (Loss)	38,019	47,712
Change in Unrealized Appreciation (Depreciation)	(18,204)	1,311
Net Increase (Decrease) in Net Assets Resulting from Operations	50,736	75,929
Distributions		
Net Investment Income	(26,681)	(26,115)
Realized Capital Gain[1]	(47,580)	(69,291)
Total Distributions	(74,261)	(95,406)
Capital Share Transactions		
Issued	113,956	205,902
Issued in Lieu of Cash Distributions	74,261	95,406
Redeemed	(180,812)	(179,279)
Net Increase (Decrease) from Capital Share Transactions	7,405	122,029
Total Increase (Decrease)	(16,120)	102,552
Net Assets		
Beginning of Period	**1,092,968**	**990,416**
End of Period[2]	**1,076,848**	**1,092,968**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $786,000 and $1,741,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $30,013,000 and $25,773,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	**$13.48**	**$13.77**	**$14.17**	**$11.87**	**$12.12**
Investment Operations					
Net Investment Income	.375[1]	.346	.358	.307	.308
Net Realized and Unrealized Gain (Loss) on Investments	.220	.734	(.032)	3.061	.002
Total from Investment Operations	.595	1.080	.326	3.368	.310
Distributions					
Dividends from Net Investment Income	(.336)	(.375)	(.251)	(.367)	(.255)
Distributions from Realized Capital Gains	(.599)	(.995)	(.475)	(.701)	(.305)
Total Distributions	(.935)	(1.370)	(.726)	(1.068)	(.560)
Net Asset Value, End of Period	**$13.14**	**$13.48**	**$13.77**	**$14.17**	**$11.87**
Total Return	**4.78%**	**8.36%**	**2.22%**	**30.11%**	**2.33%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$1,077	$1,093	$990	$1,009	$655
Ratio of Total Expenses to Average Net Assets	0.27%	0.27%	0.27%	0.27%	0.27%
Ratio of Net Investment Income to Average Net Assets	2.87%	2.55%	2.60%	3.96%	2.50%
Portfolio Turnover Rate	10%	14%	21%	11%	19%

1 Calculated based on average shares outstanding.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

Vanguard REIT Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the year ended December 31, 2017, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2014–2017), and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty

risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at December 31, 2017, or at any time during the period then ended.

7. Other: Distributions received from REITs are recorded on the ex-dividend date. Each REIT reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the REITs, and management's estimates of such amounts for REIT distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2017, the portfolio had contributed to Vanguard capital in the amount of $60,000, representing 0.01% of the portfolio's net assets and 0.02% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio's investments as of December 31, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,074,926	—	217
Temporary Cash Investments	1,751	200	—
Futures Contracts—Liabilities[1]	(2)	—	—
Total	1,076,675	200	217

1 Represents variation margin on the last day of the reporting period.

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For tax purposes, at December 31, 2017, the portfolio had $31,141,000 of ordinary income and $37,571,000 of long-term capital gains available for distribution.

At December 31, 2017, the cost of investment securities for tax purposes was $1,060,650,000. Net unrealized appreciation of investment securities for tax purposes was $16,444,000, consisting of unrealized gains of $110,273,000 on securities that had risen in value since their purchase and $93,829,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the year ended December 31, 2017, the portfolio purchased $107,517,000 of investment securities and sold $133,177,000 of investment securities, other than temporary cash investments.

F. Capital share transactions for each class of shares were:

	Year Ended December 31,	
	2017 Shares (000)	2016 Shares (000)
Issued	8,703	15,209
Issued in Lieu of Cash Distributions	5,946	7,442
Redeemed	(13,812)	(13,487)
Net Increase (Decrease) in Shares Outstanding	837	9,164

At December 31, 2017, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 47% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

G. On January 18, 2018, the benchmark index of the portfolio was changed from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Index. Additionally, the name of the portfolio was changed to Vanguard Variable Insurance Fund-Real Estate Index Portfolio.

Management has determined that no other material events or transactions occurred subsequent to December 31, 2017, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of REIT Index Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of REIT Index Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2018

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

Special 2017 tax information (unaudited) for corporate shareholders only for Vanguard REIT Index Portfolio, a portfolio of Vanguard Variable Insurance Funds

This information for the fiscal year ended December 31, 2017, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The portfolio distributed $46,794,000 as capital gain dividends (from net long-term capital gains) to shareholders during the fiscal year. The portfolio designates $43,124,000 of its capital gain dividends as 20% rate gain distributions and $3,670,000 as unrecaptured section 1250 gain distributions (25% rate gain).

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 December 31, 2017

REIT Index Portfolio	Beginning Account Value 6/30/2017	Ending Account Value 12/31/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,021.77	$1.38
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.50	1.38

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.27%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

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The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 201 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Chief Executive Officer and Director of The Vanguard Group and President and Chief Executive Officer of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; President of The Vanguard Group (2008–2017); Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College; Trustee of the University of Rochester.

Rajiv L. Gupta

Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Arconic Inc. (diversified manufacturer), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center.

JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the Executive Committee (1997–2008), Chief Global Diversity Officer (retired 2008), Vice President and Chief Information Officer (1997–2006), Controller (1995–1997), Treasurer (1991–1995), and Assistant Treasurer (1989–1991) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; Director of the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and Chair of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Member of the Council on Chicago Booth.

Scott C. Malpass

Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, the Board of Catholic Investment Services, Inc. (investment advisor), and the Board of Superintendence of the Institute for the Works of Religion; Chairman of the Board of TIFF Advisory Services, Inc. (investment advisor).

André F. Perold

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Co-Managing Partner of HighVista Strategies LLC (private investment firm); Overseer of the Museum of Fine Arts Boston.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem
Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

Christine M. Buchanan
Born 1970. Treasurer Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Global Head of Vanguard Fund Administration at The Vanguard Group; Partner at KPMG LLP (2005–2017).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Anne E. Robinson
Born 1970. Secretary Since September 2016. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

Michael Rollings
Born 1963. Finance Director Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Director of Vanguard Marketing Corporation; Treasurer of each of the investment companies served by The Vanguard Group (February 2017–November 2017); Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or sec.gov.

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Performance Summary Fourth Quarter 2017

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

	Nonstandardized[1] Total Returns		Standardized[1] Total Returns for Periods Ended 12/31/2017				Annualized Current Yield* for Period Ended 12/31/2017
Portfolio/Subaccount (Inception Date)	**Fourth Quarter 2017**	**YTD 2017**	**1 Year**	**5 Years**	**10 Years**	**Since Inception**	
Money Market** (5/2/1991)	**0.23%**	**0.72%**	**0.71%**	**0.07%**	**0.28%**	**2.45%**	**1.05%**
Citigroup 3-Month U.S. Treasury Bill Index	0.28	0.84	0.84	0.23	0.34	2.62	
Short-Term Investment-Grade (2/8/1999)	**–0.17**	**1.80**	**1.79**	**1.45**	**2.69**	**3.53**	
Bloomberg Barclays U.S. 1–5 Year Credit Index	–0.13	2.32	2.32	1.83	3.49	4.44	
Total Bond Market Index (4/29/1991)	**0.27**	**3.18**	**3.18**	**1.64**	**3.57**	**5.20**	
Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index[2]	0.41	3.63	3.63	2.10	4.03	5.87	
High Yield Bond (6/3/1996)[3]	**–0.07**	**6.70**	**6.69**	**4.71**	**6.30**	**5.86**	
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.47	7.50	7.50	5.78	8.03	7.20	
Conservative Allocation (10/19/2011)[4]	**2.55**	**10.57**	**10.56**	**—**	**—**	**6.83**	
Conservative Allocation Composite Index	2.73	10.95	10.95	6.74	—	7.30	
Moderate Allocation (10/19/2011)[4]	**3.56**	**14.47**	**14.47**	**8.38**	**—**	**8.99**	
Moderate Allocation Composite Index	3.83	14.88	14.88	8.90	—	9.48	
Balanced (5/23/1991)[4]	**4.43**	**14.39**	**14.39**	**10.59**	**7.23**	**9.20**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Balanced Composite Index	4.61	15.76	15.76	11.24	7.46	8.84	
Total Stock Market Index (5/1/2003)	**6.20**	**20.62**	**20.62**	**15.05**	**8.17**	**9.82**	
Spliced Total Market Index***	6.33	21.16	21.16	15.52	8.58	10.22	
Equity Index (4/29/1991)	**6.53**	**21.31**	**21.30**	**15.29**	**8.06**	**9.34**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Large-Cap Core Funds Average	5.93	20.32	20.32	14.22	7.12	8.55	
Equity Income (6/7/1993)	**6.31**	**17.91**	**17.91**	**14.40**	**8.37**	**9.62**	
Spliced Equity Income Index****	6.31	16.51	16.51	15.16	8.70	10.53	
Diversified Value (2/8/1999)	**5.37**	**12.83**	**12.83**	**11.79**	**6.32**	**6.95**	
Russell 1000 Value Index	5.33	13.66	13.66	14.04	7.10	7.07	
Growth (6/7/1993)	**6.07**	**30.54**	**30.54**	**16.23**	**8.72**	**7.15**	
Russell 1000 Growth Index	7.86	30.21	30.21	17.33	10.00	9.37	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.69	
Capital Growth (5/1/2003)	**6.93**	**28.46**	**28.46**	**18.82**	**10.93**	**12.53**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.81	
Mid-Cap Index (2/9/1999)[5]	**5.53**	**18.74**	**18.73**	**14.52**	**8.47**	**10.02**	
Spliced Mid Cap Index*****	5.65	19.30	19.30	15.06	8.96	10.41	
Small Company Growth (6/3/1996)[5]	**5.14**	**23.11**	**23.11**	**15.55**	**10.12**	**10.65**	
Russell 2500 Growth Index	6.35	24.46	24.46	15.47	9.62	8.06	
Variable Insurance Small-Cap Growth Funds Average	5.18	23.89	23.89	14.37	8.37	7.20	
REIT Index (2/9/1999)[6]	**1.24**	**4.47**	**4.47**	**8.77**	**7.10**	**10.09**	
REIT Spliced Index†	1.41	5.07	5.07	9.34	7.63	10.65	
International (6/3/1994)[7]	**3.88**	**42.26**	**42.26**	**10.48**	**4.36**	**7.32**	
Spliced International Index††	5.00	27.19	27.19	6.80	1.23	4.89	
Total International Stock Market Index (9/7/2017)	**4.83**	**—**	**—**	**—**	**—**	**5.66**	
FTSE Global All Cap ex US Index	—	—	—	—	—	0.93	
Global Bond Index (9/7/2017)	**0.53**	**—**	**—**	**—**	**—**	**–0.24**	
Global Bond Composite Index	—	—	—	—	—	–0.79	

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*Seven-day yield for the Money Market Portfolio; the annualized yield reflects the current earnings of the portfolio more closely than the total returns shown.

The Fund is only available to retail investors (natural persons). 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. The Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. 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.

***Spliced Total Market Index: Dow Jones Wilshire 5000 Index through June 17, 2005; S&P Total Market Index thereafter.

****Spliced Equity Income Index: Russell 1000 Value Index through July 31, 2007; FTSE High Dividend Yield Index thereafter.

*****Spliced Mid Cap Index: S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

† MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

†† The portfolio adopted the MSCI All Country World Index ex USA on June 1, 2010, as its target index, replacing the MSCI EAFE Index. The Spliced International Index reflects performance of the MSCI EAFE Index through May 31, 2010, and performance of the MSCI All Country World Index ex USA thereafter.

[1]The "nonstandardized" quarter and year-to-date returns are unadjusted. The "standardized" one-, five-, and ten-year period returns are adjusted for the $25 annual fee charged on contracts valued at less than $25,000. With respect to contracts issued in New York State, performance figures shown are based on the actual performance of Vanguard Variable Insurance Fund as if the contracts were being offered in New York prior to their first New York offering date in November 1992. Distributions taken prior to age 59½ may be subject to a 10% federal penalty tax.

[2]Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

[3]Because high-yield bonds are considered speculative, investors should be prepared to assume a substantially greater level of risk than with other types of bonds.

[4]These investments are eligible for the Guaranteed Lifetime Withdrawal Benefit.

[5]A portfolio that concentrates its investments in small- and mid-capitalization stocks may be more volatile than a portfolio that invests in large-capitalization stocks.

[6]A portfolio that concentrates its investments in one economic sector or geographic region faces the risk of higher share-price volatility.

[7]Foreign stock prices are subject to the same influences as domestic stocks, but international investing can involve additional risks and expenses that can increase the potential for losses in the portfolio (for example, changes in currency rates, higher transaction costs, less stable economies and political structures, and differences in auditing and other financial standards).

Average portfolio performance is based on data provided by Lipper, a Thomson Reuters Company.

The returns presented in the table on the reverse take into account the reinvestment of all dividends and capital gains, reduced by a daily mortality and expense risk charge. The daily mortality and expense risk charge corresponds to an annual fee of 0.19% and an administrative charge that corresponds to an annual fee of 0.10%.

Variable annuities are long-term, tax-deferred investment vehicles that are designed for retirement investing. They offer investment options through subaccounts and insurance features such as annuitization and death benefit options.

Only the subaccounts bolded in the table on the reverse are available through the Vanguard Variable Annuity.

Please reference the Vanguard Variable Insurance Fund prospectus for more information regarding risk.

The Vanguard Variable Annuity is a flexible-premium variable annuity issued by Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (NAIC No. 66281), and in New York State only, by Transamerica Financial Life Insurance Company, Harrison, New York (NAIC No. 70688). Form No. VVAP U 1101 (in Florida, Form No. VVAP U 1101 (FL), in Oregon, Form No. VVAP U 1101 (OR) (R), and in New York, VVA NY 0208(R13)). GLWB Rider Form No. RGMB 43 0811 (in Florida, RGMB 43 0811 (SI)(FL), RGMB 43 0811 (JT)(FL), in Oregon, RGMB 43 0811 (SI)(OR), RGMB 43 0811 (JT)(OR), and in New York, RGMB 43 0811 (SI)(NY) (REV), RGMB 43 0811 (JT)(NY) (REV)), without agent representation. Policy and rider form numbers may vary by state and may not be available in all states. The Vanguard Group administers the Vanguard Variable Annuity for the issuer. Its variable annuity and investment costs rank among the lowest in the industry, according to Morningstar, Inc., December 2016. The Vanguard Group, Transamerica Premier Life Insurance Company, and Transamerica Financial Life Insurance Company do not provide tax advice. Investors are encouraged to consult a tax advisor for information on how annuity taxation applies to their individual situations.

The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For such funds or securities, the prospectus or the Statement of Additional Information contains a more detailed description of the limited relationship MSCI has with The Vanguard Group and any related funds. Standard & Poor's 500 is a registered trademark of Standard & Poor's Financial Services LLC ("S&P"), and has been licensed for use by The Vanguard Group, Inc. Vanguard mutual funds are not sponsored, endorsed, sold, or promoted by S&P or its affiliates, and S&P and its affiliates make no representation, warranty, or condition regarding the advisability of buying, selling, or holding units/shares in the funds. Russell 1000® Value Index, Russell 1000 Growth Index, Russell 2500™ Growth Index, and Russell® are registered trademarks of Russell Investments and have been licensed for use by The Vanguard Group, Inc. The products are not sponsored, endorsed, sold, or promoted by Russell Investments, and Russell Investments makes no representation regarding the advisability of investing in the products. All other marks are the exclusive property of their respective owners.

For more information about the Vanguard Variable Annuity, visit vanguard.com or call 800-522-5555 to obtain fund and variable annuity contract prospectuses. Investment objectives, risks, charges, expenses, and other important information about the product are contained in the prospectus; read and consider it carefully before investing.

Vanguard®

Annual Report | December 31, 2017

Vanguard Variable Insurance Fund

Small Company Growth Portfolio

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

A Message from Vanguard's Chairman

Dear Planholder,

Lately I've been asked a lot about my legacy. And candidly, that phrase bugs me—it isn't my legacy. Vanguard's success is a result of thousands of my colleagues committing to a clear mission: helping investors achieve their financial goals.

The reason the topic has come up is that on December 31, 2017, I officially stepped down as Vanguard's CEO after almost a decade in that role. I'll remain chairman for a period to be determined by the board of directors. Tim Buckley, who was previously Vanguard's president and chief investment officer, was elected CEO. I can't think of a better successor.

I've spent 32 years at Vanguard—almost my entire professional life—and during that time I've had the good fortune of working with smart, principled colleagues from across the world. I've learned from each of them.

In particular, I would like to thank Jack Bogle, our founder, who took a chance on me when I was a young business school graduate, and Jack Brennan, my predecessor as CEO, who constantly challenged me with new roles and responsibilities.

When you're just starting out, there is nothing quite like getting votes of confidence from people you respect.

The short list

A milestone like this naturally brings about some reflection. With that in mind, here's a tally—by no means exhaustive—of the accomplishments that *we* at Vanguard are proud of:

Low costs. Over the last decade, we cut our average asset-weighted expense ratio by about 50%.[1] This isn't a result of some contrived price war. Since its founding, Vanguard has emphasized the benefits of low-cost investing. As Jack Bogle once said: "The honest steward who charges least, wins most. But not for himself; for those investors who entrust their assets to his care. It is not all that complicated."

Global diversification. Through our thought leadership and investment options, such as our target-date funds, Vanguard has encouraged clients to obtain exposure to international markets.

Global diversification isn't just about helping to control risk—it can also be a way of expanding your set of opportunities and harnessing the potential of all markets.

I've been glad to see more and more clients embracing global diversification. I believe this trend will continue as Vanguard's way of investing takes hold in international markets.

Affordable advice. In the wake of the 2008–2009 Global Financial Crisis, we began working on a new advice model. In 2015, we launched Vanguard Personal Advisor Services®, a hybrid advice offering that delivers value through a combination of a professional advisor and powerful digital technology at a competitive price.

Across the industry, we've seen the cost of providing advice coming down. Traditional advisors are embracing low-cost investments, and that, in turn, helps them reduce costs for their own clients. This is a trend that all of us at Vanguard would like to see continue.

Great people. I've interacted with hundreds of companies of all sizes and in all industries, and the one quality that sets Vanguard apart from most of them is our emphasis on people. It's a testament to our culture that colleagues spend 15, 20, or, as in my case, more than 30 years of their professional lives here. Investors benefit because we have consistent, experienced fund management teams and a deep bench of talent that ensures that things go smoothly when it's time for a transition.

We've done a great job attracting new talent, too. We made some notable additions to senior management in the last two years, and we're continuously grooming our next generation of leaders.

Ready for what comes next

When I was contemplating coming to work at Vanguard, I sat down with my rowing coach at his home in Philadelphia. Over cheesesteaks, he told me that the most important thing was to work for a company that had the same values I held deeply. He was like a second father to me, so I trusted his judgment at a time when I wasn't so sure about my own. Back then, I never could have anticipated the success Vanguard would have in the coming decades.

I'm no better at predicting the future now. Vanguard has enjoyed significant growth in the last few years, and that presents its own unique set of challenges and opportunities, such as the role we're

1 Source: Vanguard calculation, based on data from Morningstar, Inc., as of December 31, 2016.

playing in advocating for better corporate governance among companies our funds invest in. And the asset management industry is confronting significant changes brought on by technology, shifting demographics, and new regulations.

Although the future is uncertain, I'm confident that Vanguard is well-prepared to tackle whatever comes its way. And one thing I'm sure of: There are big parts of the world that would be well-served by our way of investing.

It's humbling to think about the impact the work we do at Vanguard has on clients who are trying to raise a family, buy a first home, save for college, or prepare for retirement. I've always tried to make decisions with investors' best interests in mind. It has been a privilege working with people who hold to that same ideal.

Thank you for entrusting us with your assets.

Sincerely,

F. William McNabb III
Chairman
January 1, 2018

Market Perspective

U.S. stocks posted record highs as earnings and economy clicked

U.S. stocks generated robust results for the 12 months ended December 31, 2017, powered by rising corporate earnings, investors' willingness to pay more for those earnings, and broad-based global economic expansion. For the ninth straight calendar year, U.S. stocks recorded gains when dividends are factored into returns. The Federal Reserve acknowledged the health of the economy, raising interest rates in December for the third time in 2017.

The broad U.S. stock market reached numerous record highs and finished the year up 21.13%. Stocks also benefited from the passage of tax-reform legislation and the possibility of less government regulation and more fiscal stimulus in the form of infrastructure spending.

Growth stocks widely exceeded their value counterparts, while large-capitalization stocks surpassed small-caps. Nine of the 11 industry sectors advanced. Information technology climbed about 37%, while materials, health care, industrials, and financials also rose more than 20%. Telecommunication services and energy were the only sectors to decline.

International stocks fared even better than their U.S. brethren, returning 27.11%—a result that was enhanced for U.S. investors by the dollar's weakness against a number of foreign currencies. Investors were also attracted to international stocks' relatively inexpensive valuations. Emerging-market stocks led those from the developed markets of Europe and the Pacific region, but gains were notable across the board.

Demand from investors helped boost bond prices

The Fed's three interest rate increases in 2017 didn't dissuade investors, who requested bonds even as stocks continued to surge. Inflation expectations were generally muted, which contributed to lower yields for longer-dated U.S. Treasuries and thus to higher bond prices. (Bond prices and yields move in opposite directions.) Bonds also drew support from various central banks' accommodative monetary policies.

The broad U.S. bond market returned 3.54% for the period. Investment-grade corporate bonds outperformed Treasuries and mortgage-backed securities. The yield of the benchmark 10-year Treasury note dipped slightly, closing December at 2.41%, from 2.45% a year earlier.

International bonds (as measured by the Bloomberg Barclays Global Aggregate Index ex USD) returned 10.51%. U.S. investors benefited from the dollar's weakening against many currencies. Without this currency impact, international bonds would have trailed U.S. bonds. The Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged) returned 2.57%.

Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2017		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	21.69%	11.23%	15.71%
Russell 2000 Index (Small-caps)	14.65	9.96	14.12
Russell 3000 Index (Broad U.S. market)	21.13	11.12	15.58
FTSE All-World ex US Index (International)	27.11	8.27	7.19
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	3.54%	2.24%	2.10%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	5.45	2.98	3.02
Citigroup Three-Month U.S. Treasury Bill Index	0.84	0.37	0.23
CPI			
Consumer Price Index	2.11%	1.64%	1.43%

Vanguard® Small Company Growth Portfolio

Advisors' Report

Vanguard Small Company Growth Portfolio returned 23.46% for the 12 months ended December 31, 2017, lagging the 24.46% return of its benchmark, the Russell 2500 Growth Index, and the 23.89% average return of peer funds. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The portfolio is managed by two independent advisors, a strategy that enhances diversification by providing exposure to distinct yet complementary investment approaches. It is not uncommon for different advisors to have different views about individual securities or the broader investment environment.

The advisors, the amount and percentage of the portfolio's assets each manages, and brief descriptions of their investment strategies are presented in the accompanying table. Each advisor has also prepared a discussion of the investment environment that existed during the year and its effect on the portfolio's positioning. These comments were prepared on January 24, 2018.

ArrowMark Partners

Portfolio Managers:

Chad Meade, Partner

Brian Schaub, CFA, Partner

U.S. stock markets posted strong gains during the 12 months as positive economic data and the approval of a tax reform bill drove market sentiment. The Federal Reserve raised interest rates three times during 2017 because of labor market strength, but the Fed's key inflation indicator, the Personal Consumption Expenditures Index, remained below the Federal Open Market Committee's 2% target. Volatility was scarce as the Russell 2500 Growth Index registered only two daily declines greater than 2%, an all-time low for a calendar year. The VIX Index also hit historic lows. The index has closed below 10 on 61 occasions since January 1, 1990, but 52 of these days—or 85%—occurred in 2017. Though the lack of volatility during the year was a surprise, we continue to expect and prepare for a market pullback.

Our investment process prioritizes the management of risk over the opportunity for return. Our goal is to build an all-weather portfolio that can perform in a variety of market conditions. We look to build a portfolio that can mitigate capital losses on the downside and, secondarily, provide 100% upside participation during market recoveries. If and when volatility does pick up, we will look to add names with predictable and recurring revenue streams, strong competitive advantages, large addressable markets, and attractive risk-reward profiles.

Performance during the period was aided by a number of factors, most notably strong stock selection in the health care, information technology, and industrial sectors. Industrials contributed most to performance, led by the commercial and professional services industry group. TriNet Group, a cloud-based professional employer organization targeting small and medium-sized businesses, benefited from improved pricing and expanding margins that resulted in significantly better-than-expected earnings. CEB, a provider of best-practice and technology insights to businesses in a wide range of industries, had been a long-time fund holding before being acquired by another portfolio holding, Gartner, at a 25% premium in January 2017.

Total Returns

	Year Ended December 31, 2017	Ten Years Ended December 31, 2017 Average Annual Return
Vanguard Small Company Growth Portfolio	23.46%	10.45%
Russell 2500 Growth Index	24.46	9.62
Variable Insurance Small-Cap Growth Funds Average[1]	23.89	8.37

The figures shown represent past performance, which is not a guarantee of future results. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

Expense Ratios[2]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Small-Cap Growth Funds Average
Small Company Growth Portfolio	0.37%	1.01%

1 Derived from data provided by Lipper, a Thomson Reuters Company.

2 The portfolio expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the Small Company Growth Portfolio's annualized expense ratio was 0.34%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

Health care was the second-largest contributor, driven primarily by strong stock selection. Our focus on novel, differentiated products helped performance as Exact Sciences and Alnylam Pharmaceuticals registered strong gains. Exact Sciences continues to benefit from robust market adoption of its Cologuard product, a revolutionary diagnostic tool for colorectal cancer. Alnylam posted strong results after announcing orphan drug designation and a positive data readout for its Phase 3 trial of patisiran, a ribonucleic acid interference drug for patients with a rare genetic disease. Despite continued noise associated with the potential repeal and replacement of the Affordable Care Act, we will continue to focus on companies that can add value to patients, providers, and payors.

Materials and consumer discretionary detracted from overall performance. Our significant underweight to materials hurt results, as the sector returned 23% during the fiscal year. Given that materials names tend to exhibit levered balance sheets and are more influenced by commodity price swings, we typically avoid this sector.

The retailing subindustry felt significant pressure, driven by a sharp slowdown in store traffic industrywide and the perceived threat that Amazon could turn all brick-and-mortar stores into rubble. Companies directly impacted included Sally Beauty, a specialty distributor and retailer of beauty products to salons and consumers, and Hibbett Sports, a sporting goods retailer operating in rural markets across the Southeast, Southwest, and lower Midwest.

Vanguard Quantitative Equity Group

Portfolio Managers:

James P. Stetler

Binbin Guo, Principal, Head of Alpha Equity Investments

The investment environment

Overall global economic growth, though uncertain and mixed at times, combined with rising corporate earnings to support a strong performance by the U.S. stock market. Stock valuations also climbed as investors embraced risk. U.S. economic fundamentals remained firm amid favorable consumer confidence, unemployment, and GDP data.

The Federal Reserve acknowledged the economy's strength, pushing the federal funds target rate to 1.25%–1.5% with increases in March, June, and December. Projections for 2018 show an expected three rate hikes, followed by two each in 2019 and 2020.

Growth stocks outpaced value stocks, while large-capitalization stocks surpassed their small-cap counterparts. Once expectations for global growth were reduced, investors were more willing to pay for growth stocks.

Overseas, major central banks kept their monetary policies accommodative. Political uncertainty eased somewhat as voters in the Netherlands and France turned back nationalist candidates who were focused on dismantling the European Union. Stocks rose across Europe and Asia, and emerging market stocks outperformed their developed market peers, supported by low interest rates, strong earnings, and worldwide economic growth. MSCI's announcement that it will add mainland China A-shares to its Emerging Markets Index in 2018 also boosted overall market sentiment.

Investment objective and strategy

Although our overall performance is affected by the macroeconomic factors we've described, our approach to investing focuses on specific stock fundamentals that we believe are more likely to produce outperformance over the long run. Those fundamentals include high quality, management decisions, consistent earnings growth, strong market sentiment, and reasonable valuation.

Vanguard Small Company Growth Portfolio Investment Advisors

	Portfolio Assets Managed		
Investment Advisor	%	$ Million	Investment Strategy
ArrowMark Partners	51	888	The firm uses in-depth fundamental research to uncover companies that, in its opinion, can control their own economic destiny. It starts by identifying businesses with strong competitive advantages in industries with high barriers to entry, then narrows the focus to companies with large potential markets and high-quality business models focused on the future. Finally, considerations are made for potential downside risk, resulting in a diversified portfolio of between 75 and 100 stocks.
Vanguard Quantitative Equity Group	46	811	Employs a quantitative approach that focuses on fundamental factors, using models that assess valuation, growth prospects, management decisions, market sentiment, and earnings and balance-sheet quality of companies as compared with their peers.
Cash Investments	3	50	These short-term reserves are invested by Vanguard in equity index products to simulate investment in stocks. Each advisor may also maintain a modest cash position.

Using these five themes, we generate a composite rank for all the stocks in our universe each day, seeking to capitalize on investor biases across the market. We then monitor our portfolio, based on those rankings, and adjust when appropriate to maximize expected return while minimizing exposure to risks that our research indicates do not improve returns (such as industry selection and other risks relative to our benchmark).

Our successes and shortfalls

Over the 12 months, our portfolio's quality model detracted from results and offset gains from our management decisions and sentiment models. Lower-quality stocks played a significant role in the market's strong showing, a trend that had negative implications for our portfolio's relative performance.

Results lagged the benchmark in eight of 11 sectors and were weakest in information technology, industrials, and, to a lesser extent, consumer discretionary. Materials stocks contributed the most, and consumer staples and financials also had a positive relative influence.

Leading detractors included Unisys and Cardtronics in information technology, Argan and Hawaiian Holdings in industrials, and Brinker International in consumer discretionary. On a more positive note, the portfolio benefited from Chemours and Huntsman in materials, Bob Evans Farms in consumer staples, and MSCI in financials. An underweight allocation to Rite Aid in consumer staples also helped.

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*
The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	1,944,141,093	99,613,853	95.1%
Emerson U. Fullwood	1,941,634,789	102,120,157	95.0%
Amy Gutmann	1,936,277,120	107,477,826	94.7%
JoAnn Heffernan Heisen	1,932,975,342	110,779,604	94.6%
F. Joseph Loughrey	1,942,078,522	101,676,424	95.0%
Mark Loughridge	1,945,099,950	98,654,996	95.2%
Scott C. Malpass	1,936,871,738	106,883,208	94.8%
F. William McNabb III	1,943,389,639	100,365,307	95.1%
Deanna Mulligan	1,935,898,722	107,856,224	94.7%
André F. Perold	1,929,764,167	113,990,779	94.4%
Sarah Bloom Raskin	1,932,581,664	111,173,282	94.6%
Peter F. Volanakis	1,939,733,490	104,021,455	94.9%

* Results are for all funds within the same trust.

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.
This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Portfolio	For	Abstain	Against	Broker Non-Votes	Percentage For
Small Company Growth Portfolio	50,721,451	4,511,119	2,540,852	0	87.8%

Portfolio Profile

As of December 31, 2017

Portfolio Characteristics

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Stocks	383	1,433	3,775
Median Market Cap	$4.B	$4.9B	$66.9B
Price/Earnings Ratio	26.3x	27.9x	22.8x
Price/Book Ratio	4.2x	4.8x	3.0x
Yield[3]	0.4%	0.8%	1.7%
Return on Equity	12.9%	12.8%	15.1%
Earnings Growth Rate	12.8%	14.6%	9.9%
Foreign Holdings	1.7%	0.0%	0.0%
Turnover Rate	93%	—	—
Expense Ratio[4]	0.37%	—	—
Short-Term Reserves	1.6%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.96	0.79
Beta	1.04	1.23

Sector Diversification (% of equity exposure)

	Portfolio	Comparative Index[1]	Broad Index[2]
Consumer Discretionary	17.5%	14.9%	12.6%
Consumer Staples	1.5	2.3	7.3
Energy	1.0	1.6	5.8
Financials	7.0	7.6	15.1
Health Care	17.7	17.7	13.3
Industrials	25.0	19.5	10.9
Information Technology	23.4	25.3	22.8
Materials	3.7	6.4	3.4
Real Estate	2.3	3.5	3.9
Telecommunication Services	0.4	0.8	1.9
Utilities	0.5	0.4	3.0

Ten Largest Holdings[5] (% of total net assets)

LPL Financial Holdings Inc.	Investment Banking & Brokerage	1.7%
TriNet Group Inc.	Human Resource & Employment Services	1.7
Sensata Technologies Holding NV	Electrical Components & Equipment	1.5
ServiceMaster Global Holdings Inc.	Specialized Consumer Services	1.2
Sally Beauty Holdings Inc.	Specialty Stores	1.2
CDW Corp.	Technology Distributors	1.2
MSC Industrial Direct Co. Inc. Class A	Trading Companies & Distributors	1.1
Kirby Corp.	Marine	1.1
Clean Harbors Inc.	Environmental & Facilities Services	1.1
STERIS plc	Health Care Equipment	1.0
Top Ten		12.8%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

30-Day SEC Yield. A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

Equity Exposure. A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

1 Russell 2500 Growth Index.

2 Dow Jones U.S. Total Stock Market Float Adjusted Index.

3 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

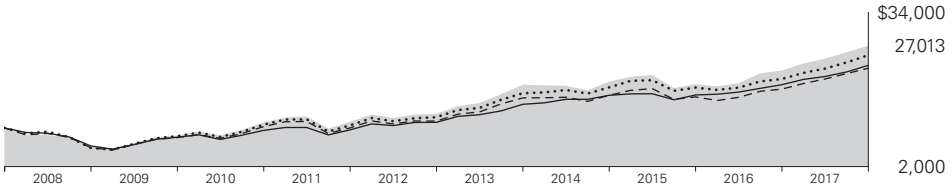
4 The expense ratio shown is from the prospectus dated September 7, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2017, the Small Company Growth Portfolio's expense ratio was 0.34%.

5 The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

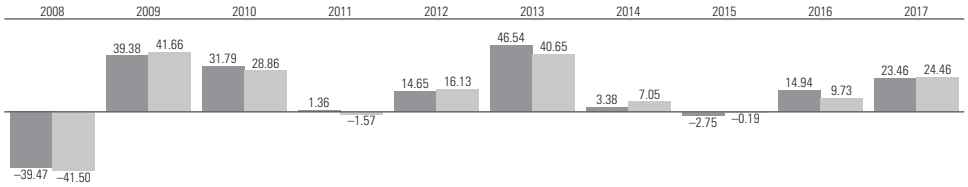
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Cumulative Performance: December 31, 2007–December 31, 2017
Initial Investment of $10,000



	Average Annual Total Returns Periods Ended December 31, 2017			Final Value of a $10,000 Investment
	One Year	Five Years	Ten Years	
Small Company Growth Portfolio	23.46%	15.89%	10.45%	$27,013
Russell 2500 Growth Index	24.46	15.47	9.62	25,051
Variable Insurance Small-Cap Growth Funds Average[1]	23.89	14.37	8.37	22,344
Dow Jones U.S. Total Stock Market Float Adjusted Index	21.16	15.52	8.66	22,948

Fiscal-Year Total Returns (%): December 31, 2007–December 31, 2017



Small Company Growth Portfolio
Russell 2500 Growth Index

1 Derived from data provided by Lipper, a Thomson Reuters Company.
See Financial Highlights for dividend and capital gains information.

Financial Statements

Statement of Net Assets

As of December 31, 2017

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value• ($000)
Common Stocks (95.6%)[1]		
Consumer Discretionary (16.8%)		
* ServiceMaster Global Holdings Inc.	423,699	21,723
* Sally Beauty Holdings Inc.	1,119,248	20,997
Carter's Inc.	143,273	16,833
Polaris Industries Inc.	123,347	15,294
Wolverine World Wide Inc.	447,090	14,253
Dunkin' Brands Group Inc.	213,880	13,789
Monro Inc.	224,326	12,775
* Grand Canyon Education Inc.	139,425	12,483
* Lululemon Athletica Inc.	135,965	10,685
Hanesbrands Inc.	434,991	9,096
*,^ Under Armour Inc.	657,813	8,762
* NVR Inc.	2,242	7,865
Lear Corp.	44,165	7,802
Domino's Pizza Inc.	35,758	6,757
National CineMedia Inc.	967,420	6,637
* Live Nation Entertainment Inc.	143,068	6,090
* Helen of Troy Ltd.	62,899	6,060
Tailored Brands Inc.	231,816	5,061
Dick's Sporting Goods Inc.	175,695	5,049
* Burlington Stores Inc.	39,973	4,918
* Dave & Buster's Entertainment Inc.	86,891	4,794
PetMed Express Inc.	105,305	4,791
Children's Place Inc.	32,110	4,667
Bloomin' Brands Inc.	211,735	4,518
H&R Block Inc.	166,271	4,360
* Scientific Games Corp. Class A	83,736	4,296
* Penn National Gaming Inc.	127,208	3,985
Service Corp. International	102,873	3,839
* Taylor Morrison Home Corp. Class A	148,415	3,632
* Weight Watchers International Inc.	81,423	3,605
* MCBC Holdings Inc.	156,070	3,468
* Malibu Boats Inc. Class A	97,709	2,905
New York Times Co. Class A	140,892	2,607
* Sotheby's	49,386	2,548
MDC Holdings Inc.	74,912	2,388
* Cooper-Standard Holdings Inc.	19,056	2,334
Nutrisystem Inc.	38,894	2,046
* Visteon Corp.	16,036	2,007
* Michael Kors Holdings Ltd.	30,430	1,916
KB Home	51,949	1,660
Thor Industries Inc.	10,936	1,648
Ruth's Hospitality Group Inc.	68,202	1,477
* Deckers Outdoor Corp.	18,070	1,450
Sinclair Broadcast Group Inc. Class A	35,467	1,342
* tronc Inc.	75,539	1,329
* iRobot Corp.	14,078	1,080
Toll Brothers Inc.	22,240	1,068
* RH	10,026	864
Strayer Education Inc.	8,758	785
* Gray Television Inc.	36,930	619
* Fox Factory Holding Corp.	15,016	583
Bassett Furniture Industries Inc.	14,400	541
* MSG Networks Inc.	22,925	464
World Wrestling Entertainment Inc. Class A	13,137	402
PICO Holdings Inc.	28,049	359
* Chegg Inc.	10,692	175
* MDC Partners Inc. Class A	15,070	147
		293,628
Consumer Staples (1.4%)		
Casey's General Stores Inc.	61,418	6,875
* HRG Group Inc.	274,152	4,647
* Pilgrim's Pride Corp.	134,645	4,182
National Beverage Corp.	37,541	3,658
Medifast Inc.	22,184	1,549
* Sprouts Farmers Market Inc.	56,789	1,383
* US Foods Holding Corp.	32,799	1,047
Ingles Markets Inc. Class A	16,719	579
John B Sanfilippo & Son Inc.	6,780	429
* Chefs' Warehouse Inc.	13,946	286
* Central Garden & Pet Co.	6,196	241
Lamb Weston Holdings Inc.	2,947	166
		25,042
Energy (0.9%)		
RPC Inc.	192,023	4,902
* ProPetro Holding Corp.	215,363	4,342
* RigNet Inc.	221,753	3,315
* W&T Offshore Inc.	446,097	1,477
* Par Pacific Holdings Inc.	52,259	1,008
* Solaris Oilfield Infrastructure Inc. Class A	24,534	525
CVR Energy Inc.	11,044	411
* Abraxas Petroleum Corp.	113,400	279
		16,259
Financials (6.7%)		
LPL Financial Holdings Inc.	525,138	30,006
Financial Engines Inc.	367,205	11,126
Bank of the Ozarks	205,691	9,966
WisdomTree Investments Inc.	784,923	9,851
MSCI Inc. Class A	66,331	8,394
Primerica Inc.	58,260	5,916
* Essent Group Ltd.	122,732	5,329
* Credit Acceptance Corp.	16,053	5,193
* Green Dot Corp. Class A	82,321	4,961
Houlihan Lokey Inc. Class A	102,505	4,657
* Walker & Dunlop Inc.	90,440	4,296
East West Bancorp Inc.	58,965	3,587
Moelis & Co. Class A	34,582	1,677
* World Acceptance Corp.	19,180	1,548
Universal Insurance Holdings Inc.	54,660	1,495
* Nationstar Mortgage Holdings Inc.	70,460	1,303
* Regional Management Corp.	48,505	1,276
* SVB Financial Group	5,026	1,175
* Third Point Reinsurance Ltd.	79,070	1,158
* Green Bancorp Inc.	53,226	1,080
* NMI Holdings Inc. Class A	60,928	1,036
Bank of NT Butterfield & Son Ltd.	17,616	639
BGC Partners Inc. Class A	40,764	616
Cboe Global Markets Inc.	4,052	505
Legg Mason Inc.	9,136	384
* Health Insurance Innovations Inc. Class A	7,404	185
		117,359
Health Care (17.0%)		
STERIS plc	205,025	17,934
Cooper Cos. Inc.	60,938	13,277
* MEDNAX Inc.	212,269	11,344
* INC Research Holdings Inc. Class A	259,518	11,315
* Prestige Brands Holdings Inc.	233,725	10,380
* athenahealth Inc.	71,714	9,541
* Catalent Inc.	222,423	9,137
* Exact Sciences Corp.	173,155	9,098
* Exelixis Inc.	264,917	8,053
* DexCom Inc.	130,624	7,497
* WellCare Health Plans Inc.	35,565	7,152
* Immunomedics Inc.	408,638	6,604
* PRA Health Sciences Inc.	68,187	6,210
* Veeva Systems Inc. Class A	109,446	6,050
* Charles River Laboratories International Inc.	55,057	6,026
Chemed Corp.	24,172	5,874
* Revance Therapeutics Inc.	164,235	5,871
* Atara Biotherapeutics Inc.	323,217	5,850
* Neurocrine Biosciences Inc.	74,755	5,800
* Nevro Corp.	79,553	5,492
* Endologix Inc.	1,022,906	5,473
* Medidata Solutions Inc.	84,858	5,377
* Bluebird Bio Inc.	29,272	5,213
* DBV Technologies SA ADR	211,524	5,203
HealthSouth Corp.	98,310	4,858
* Juno Therapeutics Inc.	105,105	4,804
Bruker Corp.	139,280	4,780
* Masimo Corp.	56,174	4,764
PerkinElmer Inc.	62,688	4,584
* Insulet Corp.	62,878	4,339
* ABIOMED Inc.	22,475	4,212
* HealthEquity Inc.	88,285	4,119
* Alnylam Pharmaceuticals Inc.	31,414	3,991
* Array BioPharma Inc.	296,346	3,793
* Align Technology Inc.	16,988	3,775
* IDEXX Laboratories Inc.	23,658	3,700
* Inogen Inc.	30,980	3,689
* Corcept Therapeutics Inc.	183,570	3,315
* Mettler-Toledo International Inc.	5,291	3,278
* OraSure Technologies Inc.	166,040	3,132
* ImmunoGen Inc.	451,272	2,893
* Medpace Holdings Inc.	74,781	2,712
* Bioverativ Inc.	47,151	2,542
* Emergent BioSolutions Inc.	53,150	2,470
* Akebia Therapeutics Inc.	161,195	2,397
* Cardiovascular Systems Inc.	98,004	2,322
* Lantheus Holdings Inc.	113,496	2,321

	Shares	Market Value• ($000)
* IQVIA Holdings Inc.	22,260	2,179
Phibro Animal Health Corp. Class A	58,085	1,946
* LHC Group Inc.	25,541	1,564
* Triple-S Management Corp. Class B	59,303	1,474
* Sangamo Therapeutics Inc.	87,164	1,429
* Nektar Therapeutics Class A	21,336	1,274
* Cotiviti Holdings Inc.	38,657	1,245
* Cytokinetics Inc.	141,455	1,153
*,^ MiMedx Group Inc.	89,380	1,127
* PTC Therapeutics Inc.	64,790	1,081
* BioCryst Pharmaceuticals Inc.	206,272	1,013
* Halozyme Therapeutics Inc.	49,047	994
* Vanda Pharmaceuticals Inc.	64,911	987
LeMaitre Vascular Inc.	27,958	890
* Cutera Inc.	17,622	799
* Conatus Pharmaceuticals Inc.	152,005	702
Luminex Corp.	35,328	696
* Spectrum Pharmaceuticals Inc.	35,092	665
* Intersect ENT Inc.	18,607	603
* Concert Pharmaceuticals Inc.	19,524	505
* FibroGen Inc.	9,309	441
* Tivity Health Inc.	11,693	427
*,^ Jounce Therapeutics Inc.	22,312	284
* CorVel Corp.	5,280	279
* NanoString Technologies Inc.	26,681	199
* Merrimack Pharmaceuticals Inc.	16,186	166
* Amphastar Pharmaceuticals Inc.	8,605	166
* Immune Design Corp.	38,410	150
		296,999
Industrials (23.9%)		
* TriNet Group Inc.	675,496	29,952
* Sensata Technologies Holding NV	514,407	26,291
MSC Industrial Direct Co. Inc. Class A	197,292	19,070
* Kirby Corp.	280,334	18,726
* Clean Harbors Inc.	341,061	18,486
Multi-Color Corp.	238,325	17,839
Kennametal Inc.	366,631	17,749
Heartland Express Inc.	722,478	16,863
Allegion plc	181,679	14,454
Tennant Co.	196,357	14,265
HEICO Corp. Class A	179,831	14,216
^ Wabtec Corp.	153,058	12,464
Forward Air Corp.	201,256	11,560
* Proto Labs Inc.	109,067	11,234
* United Rentals Inc.	56,591	9,729
* Middleby Corp.	68,199	9,203
* XPO Logistics Inc.	87,039	7,972
Ritchie Bros Auctioneers Inc.	252,157	7,547
Graco Inc.	158,349	7,161
Allison Transmission Holdings Inc.	151,052	6,506
Huntington Ingalls Industries Inc.	26,570	6,263
John Bean Technologies Corp.	52,387	5,804
Brink's Co.	64,833	5,102
ABM Industries Inc.	133,940	5,052
* TransUnion	91,566	5,032
Woodward Inc.	61,061	4,674
* Harsco Corp.	242,891	4,530
* Rush Enterprises Inc. Class A	88,826	4,513
Spirit AeroSystems Holdings Inc. Class A	51,591	4,501
Quad/Graphics Inc.	199,130	4,500
* Aerojet Rocketdyne Holdings Inc.	137,001	4,274
Copa Holdings SA Class A	31,586	4,234
Global Brass & Copper Holdings Inc.	122,615	4,059
* Continental Building Products Inc.	141,150	3,973
* TrueBlue Inc.	139,827	3,845
* Meritor Inc.	159,512	3,742
* SPX Corp.	114,412	3,591
EMCOR Group Inc.	40,658	3,324
* MasTec Inc.	66,787	3,269
Air Lease Corp. Class A	65,618	3,156
Old Dominion Freight Line Inc.	22,613	2,975
KBR Inc.	148,264	2,940
Wabash National Corp.	135,052	2,931
* CAI International Inc.	98,617	2,793
Primoris Services Corp.	101,897	2,771
Argan Inc.	54,424	2,449
Kimball International Inc. Class B	120,003	2,240
Greenbrier Cos. Inc.	41,217	2,197
* SP Plus Corp.	57,789	2,144
* Ply Gem Holdings Inc.	111,634	2,065
* Moog Inc. Class A	16,600	1,442
* Generac Holdings Inc.	26,055	1,290
* Casella Waste Systems Inc. Class A	42,470	978
MSA Safety Inc.	10,816	838
Lincoln Electric Holdings Inc.	7,664	702
Hawaiian Holdings Inc.	16,968	676
* Sterling Construction Co. Inc.	38,536	627
LSC Communications Inc.	39,735	602
Raven Industries Inc.	17,302	594
Toro Co.	9,083	592
Barrett Business Services Inc.	8,700	561
H&E Equipment Services Inc.	13,541	550
Applied Industrial Technologies Inc.	7,812	532
* Univar Inc.	16,649	515
* Avis Budget Group Inc.	9,824	431
* WABCO Holdings Inc.	2,914	418
* Atkore International Group Inc.	18,910	406
Barnes Group Inc.	6,206	393
* TriMas Corp.	13,366	358
* Milacron Holdings Corp.	18,060	346
* Mercury Systems Inc.	6,135	315
* Heritage-Crystal Clean Inc.	10,879	237
National Presto Industries Inc.	1,643	163
* TPI Composites Inc.	7,863	161
* Roadrunner Transportation Systems Inc.	977	8
		417,965
Information Technology (22.3%)		
CDW Corp.	293,869	20,421
SS&C Technologies Holdings Inc.	433,308	17,540
* Cadence Design Systems Inc.	370,176	15,481
* Shutterstock Inc.	315,927	13,594
MAXIMUS Inc.	189,354	13,554
* Cimpress NV	98,966	11,864
* RealPage Inc.	237,941	10,541
* 2U Inc.	163,332	10,537
* Trimble Inc.	256,546	10,426
* Descartes Systems Group Inc.	313,658	8,908
* Arista Networks Inc.	36,600	8,622
Switch Inc.	472,143	8,588
*,^ Stratasys Ltd.	424,392	8,471
* Presidio Inc.	430,502	8,253
* Take-Two Interactive Software Inc.	71,800	7,882
* Callidus Software Inc.	270,963	7,763
* Barracuda Networks Inc.	265,591	7,304
* ON Semiconductor Corp.	343,322	7,189
*,^ Advanced Micro Devices Inc.	692,526	7,119
* Square Inc.	190,296	6,598
Booz Allen Hamilton Holding Corp. Class A	162,932	6,213
* CyberArk Software Ltd.	147,441	6,103
* Zebra Technologies Corp.	56,772	5,893
* Euronet Worldwide Inc.	66,877	5,636
* Gartner Inc.	45,233	5,570
*,^ 3D Systems Corp.	637,698	5,510
CSRA Inc.	183,459	5,489
*,^ Match Group Inc.	164,280	5,144
* RingCentral Inc. Class A	105,479	5,105
* Hortonworks Inc.	240,146	4,829
* Extreme Networks Inc.	376,342	4,712
* Five9 Inc.	188,152	4,681
* CoStar Group Inc.	15,638	4,644
* New Relic Inc.	80,115	4,628
SYNNEX Corp.	32,447	4,411
* Appfolio Inc.	98,696	4,096
* Ultra Clean Holdings Inc.	177,171	4,091
* Tableau Software Inc. Class A	58,067	4,018
* Care.com Inc.	218,151	3,935
TeleTech Holdings Inc.	96,574	3,887
* Everi Holdings Inc.	513,092	3,869
* TTM Technologies Inc.	237,553	3,722
* Workiva Inc.	172,753	3,697
* Itron Inc.	53,646	3,659
* ChannelAdvisor Corp.	385,815	3,472
* Cirrus Logic Inc.	66,004	3,423
Broadridge Financial Solutions Inc.	35,662	3,230
* Blucora Inc.	141,369	3,124
* Glu Mobile Inc.	803,187	2,924
* Carbonite Inc.	115,785	2,906
Travelport Worldwide Ltd.	210,811	2,755
*,^ Unisys Corp.	332,021	2,706
* Amkor Technology Inc.	263,469	2,648
Teradyne Inc.	61,948	2,594
* KEMET Corp.	169,222	2,548
* A10 Networks Inc.	327,955	2,532
* Pure Storage Inc. Class A	159,446	2,529
* Sykes Enterprises Inc.	68,809	2,164
* Apptio Inc. Class A	89,635	2,108
CSG Systems International Inc.	39,402	1,727
* TrueCar Inc.	144,828	1,622
* Virtusa Corp.	35,399	1,560
* Box Inc.	67,237	1,420
* Wix.com Ltd.	24,471	1,408
* Varonis Systems Inc.	27,413	1,331

	Shares	Market Value• ($000)
* Etsy Inc.	56,459	1,155
MKS Instruments Inc.	11,818	1,117
* Zillow Group Inc. Class A	25,649	1,045
* Rosetta Stone Inc.	80,912	1,009
* Instructure Inc.	26,938	892
Genpact Ltd.	27,254	865
* CommerceHub Inc. Class A	38,897	855
* Synaptics Inc.	21,309	851
* ePlus Inc.	9,977	750
* Axcelis Technologies Inc.	24,029	690
* Avid Technology Inc.	120,221	648
* Syntel Inc.	25,909	596
Cohu Inc.	25,478	559
* PFSweb Inc.	73,268	544
* Control4 Corp.	16,706	497
* Internap Corp.	30,725	483
* Blackhawk Network Holdings Inc.	12,874	459
Systemax Inc.	12,581	419
* FormFactor Inc.	26,499	415
* ANSYS Inc.	2,727	402
* Ichor Holdings Ltd.	16,197	398
* IPG Photonics Corp.	1,283	275
* MobileIron Inc.	63,790	249
* Pixelworks Inc.	34,574	219
Brooks Automation Inc.	8,720	208
* Alteryx Inc. Class A	7,335	185
* Fortinet Inc.	3,912	171
* CommerceHub Inc.	7,630	157
Entegris Inc.	5,008	152
		391,193
Materials (3.6%)		
Graphic Packaging Holding Co.	650,470	10,050
Chemours Co.	148,976	7,458
Huntsman Corp.	177,959	5,924
* Louisiana-Pacific Corp.	196,893	5,170
Westlake Chemical Corp.	46,223	4,924
* Owens-Illinois Inc.	215,057	4,768
* Koppers Holdings Inc.	91,813	4,673
* AdvanSix Inc.	103,820	4,368
Packaging Corp. of America	35,689	4,302
Kronos Worldwide Inc.	166,141	4,281
Avery Dennison Corp.	15,300	1,757
Greif Inc. Class A	25,002	1,515
American Vanguard Corp.	40,500	796
Boise Cascade Co.	19,166	765
A Schulman Inc.	12,651	471
* Century Aluminum Co.	21,279	418
Rayonier Advanced Materials Inc.	19,493	399
* Ingevity Corp.	3,164	223
		62,262
Other (0.0%)		
*,2 NuPathe Inc. CVR	345,900	—
Real Estate (2.2%)		
National Storage Affiliates Trust	357,778	9,753
Gaming and Leisure Properties Inc.	131,160	4,853
Ryman Hospitality Properties Inc.	64,859	4,476
Senior Housing Properties Trust	156,712	3,001
CubeSmart	95,013	2,748
CoreSite Realty Corp.	24,090	2,744
Sabra Health Care REIT Inc.	143,997	2,703
Iron Mountain Inc.	60,326	2,276
National Health Investors Inc.	25,455	1,919
Equity LifeStyle Properties Inc.	14,234	1,267
Four Corners Property Trust Inc.	39,542	1,016
Universal Health Realty Income Trust	11,100	834
First Industrial Realty Trust Inc.	16,010	504
		38,094
Telecommunication Services (0.3%)		
* Boingo Wireless Inc.	196,406	4,419
* Vonage Holdings Corp.	174,290	1,773
		6,192
Utilities (0.5%)		
* Evoqua Water Technologies Corp.	234,392	5,558
NRG Energy Inc.	133,367	3,798
		9,356
Total Common Stocks (Cost $1,416,598)		1,674,349
Temporary Cash Investments (5.5%)[1]		
Money Market Fund (5.2%)		
3,4 Vanguard Market Liquidity Fund, 1.458%	907,523	90,762
	Face Amount ($000)	
U.S. Government and Agency Obligations (0.3%)		
United States Cash Management Bill, 1.048%, 1/2/18	1,000	1,000
5 United States Treasury Bill, 1.089%–1.111%, 2/1/18	1,500	1,498
United States Treasury Bill, 1.116%, 2/22/18	200	200
5 United States Treasury Bill, 1.169%, 3/22/18	2,300	2,293
		4,991
Total Temporary Cash Investments (Cost $95,760)		95,753
Total Investments (101.1%) (Cost $1,512,358)		1,770,102
Other Assets and Liabilities (-1.1%)		
Other Assets		3,296
Liabilities[4]		(23,248)
		(19,952)
Net Assets (100%)		
Applicable to 71,099,238 outstanding $.001 par value shares of beneficial interest (unlimited authorization)		1,750,150
Net Asset Value Per Share		$24.62

	Amount ($000)
Statement of Assets and Liabilities	
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers	1,676,751
Collateral Pledged for Futures Contracts	2,589
Affiliated Vanguard Funds	90,762
Total Investments in Securities	1,770,102
Investment in Vanguard	96
Receivables for Investment Securities Sold	2,052
Receivables for Accrued Income	585
Receivables for Capital Shares Issued	306
Other Assets	257
Total Assets	**1,773,398**
Liabilities	
Payables for Investment Securities Purchased	4,758
Collateral for Securities on Loan	8,738
Payables to Investment Advisor	425
Payables for Capital Shares Redeemed	7,068
Payables to Vanguard	1,732
Variation Margin Payable—Futures Contracts	527
Total Liabilities	**23,248**
Net Assets	**1,750,150**

At December 31, 2017, net assets consisted of:

	Amount ($000)
Paid-in Capital	1,289,776
Undistributed Net Investment Income	5,673
Accumulated Net Realized Gains	196,765
Unrealized Appreciation (Depreciation)	
Investment Securities	257,744
Futures Contracts	192
Net Assets	**1,750,150**

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $8,300,000.

1 The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 98.9% and 2.2%, respectively, of net assets.

2 Security value determined using significant unobservable inputs.

3 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

4 Includes $8,738,000 of collateral received for securities on loan.

5 Securities with a value of $2,589,000 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	March 2018	756	58,080	192

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Year Ended December 31, 2017 ($000)
Investment Income	
Income	
Dividends	11,054
Interest[1]	1,187
Securities Lending—Net	502
Total Income	12,743
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	2,339
Performance Adjustment	72
The Vanguard Group—Note C	
Management and Administrative	2,467
Marketing and Distribution	224
Custodian Fees	67
Auditing Fees	36
Shareholders' Reports and Proxy	74
Trustees' Fees and Expenses	3
Total Expenses	5,282
Net Investment Income	**7,461**
Realized Net Gain (Loss)	
Investment Securities Sold[1]	188,177
Futures Contracts	7,853
Foreign Currencies	3
Realized Net Gain (Loss)	**196,033**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[1]	121,231
Futures Contracts	1,079
Change in Unrealized Appreciation (Depreciation)	**122,310**
Net Increase (Decrease) in Net Assets Resulting from Operations	**325,804**

1 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from affiliated companies of the portfolio were $1,145,000, $9,392,000, and ($4,000), respectively.

Statement of Changes in Net Assets

	Year Ended December 31, 2017 ($000)	Year Ended December 31, 2016 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	7,461	7,352
Realized Net Gain (Loss)	196,033	100,817
Change in Unrealized Appreciation (Depreciation)	122,310	70,278
Net Increase (Decrease) in Net Assets Resulting from Operations	325,804	178,447
Distributions		
Net Investment Income	(7,204)	(4,424)
Realized Capital Gain[1]	(99,295)	(112,327)
Total Distributions	(106,499)	(116,751)
Capital Share Transactions		
Issued	279,625	162,394
Issued in Lieu of Cash Distributions	106,499	116,751
Redeemed	(252,694)	(199,340)
Net Increase (Decrease) from Capital Share Transactions	133,430	79,805
Total Increase (Decrease)	352,735	141,501
Net Assets		
Beginning of Period	**1,397,415**	**1,255,914**
End of Period[2]	**1,750,150**	**1,397,415**

1 Includes fiscal 2017 and 2016 short-term gain distributions totaling $33,769,000 and $5,320,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $5,673,000 and $5,413,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	**$21.50**	**$20.79**	**$24.14**	**$26.90**	**$20.08**
Investment Operations					
Net Investment Income	.109[1]	.116	.078	.085	.073
Net Realized and Unrealized Gain (Loss) on Investments	4.652	2.547	(.577)	.610	8.674
Total from Investment Operations	4.761	2.663	(.499)	.695	8.747
Distributions					
Dividends from Net Investment Income	(.111)	(.074)	(.087)	(.075)	(.160)
Distributions from Realized Capital Gains	(1.530)	(1.879)	(2.764)	(3.380)	(1.767)
Total Distributions	(1.641)	(1.953)	(2.851)	(3.455)	(1.927)
Net Asset Value, End of Period	**$24.62**	**$21.50**	**$20.79**	**$24.14**	**$26.90**
Total Return	**23.46%**	**14.94%**	**-2.75%**	**3.38%**	**46.54%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$1,750	$1,397	$1,256	$1,329	$1,406
Ratio of Total Expenses to Average Net Assets[2]	0.34%	0.36%	0.37%	0.39%	0.38%
Ratio of Net Investment Income to Average Net Assets	0.48%	0.58%	0.33%	0.34%	0.32%
Portfolio Turnover Rate	93%	91%	57%	43%	64%

1 Calculated based on average shares outstanding.

2 Includes performance-based investment advisory fee increases (decreases) of 0.00%, 0.00%, (0.01%), 0.01%, and 0.01%.

Notes to Financial Statements

Vanguard Small Company Growth Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The portfolio may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract.

Futures contracts are valued at their quoted daily settlement prices. The 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 year ended December 31, 2017, the portfolio's average investments in long and short futures contracts represented 5% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2014–2017), and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date.

5. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at December 31, 2017, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. ArrowMark Colorado Holdings, LLC (formerly Arrowpoint Asset Management, LLC), provides investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets. The basic fee of ArrowMark Colorado Holdings, LLC, is subject to quarterly adjustments based on performance relative to the Russell 2500 Growth Index since March 31, 2016. Until March 2017, a portion of the portfolio was managed by Granahan Investment Management, Inc. The basic fee of Granahan Investment Management, Inc., was subject to quarterly adjustments based on performance relative to the Russell 2000 Growth Index for the preceding three years.

Vanguard provides investment advisory services to a portion of the portfolio as described below; the portfolio paid Vanguard advisory fees of $839,000 for the year ended December 31, 2017.

For the year ended December 31, 2017, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.15% of the portfolio's average net assets, before an increase of $72,000 (0.00%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Assets and Liabilities.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2017, the portfolio had contributed to Vanguard capital in the amount of $96,000, representing 0.01% of the portfolio's net assets and 0.04% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

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 December 31, 2017, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	1,674,349	—	—
Temporary Cash Investments	90,762	4,991	—
Futures Contracts—Liabilities[1]	(527)	—	—
Total	1,764,584	4,991	—

1 Represents variation margin on the last day of the reporting period.

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For tax purposes, at December 31, 2017, the portfolio had $56,900,000 of ordinary income and $147,264,000 of long-term capital gains available for distribution.

At December 31, 2017, the cost of investment securities for tax purposes was $1,512,358,000. Net unrealized appreciation of investment securities for tax purposes was $257,744,000, consisting of unrealized gains of $303,325,000 on securities that had risen in value since their purchase and $45,581,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the year ended December 31, 2017, the portfolio purchased $1,392,311,000 of investment securities and sold $1,355,401,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2017 Shares (000)	2016 Shares (000)
Issued	12,208	8,177
Issued in Lieu of Cash Distributions	5,074	6,660
Redeemed	(11,169)	(10,263)
Net Increase (Decrease) in Shares Outstanding	6,113	4,574

At December 31, 2017, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 54% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to December 31, 2017, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of Small Company Growth Portfolio

Opinion on the Financial Statements
We have audited the accompanying statement of net assets and statement of assets and liabilities of Small Company Growth Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Portfolio in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2018

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

Special 2017 tax information (unaudited) for corporate shareholders only for Vanguard Small Company Growth Portfolio, a portfolio of Vanguard Variable Insurance Funds

This information for the fiscal year ended December 31, 2017, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The portfolio distributed $65,528,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

For corporate shareholders, 13.8% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

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 December 31, 2017

Small Company Growth Portfolio	Beginning Account Value 6/30/2017	Ending Account Value 12/31/2017	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$1,110.01	$1.81
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.49	1.73

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratios for that period is 0.34%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/366).

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P"), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 201 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee[1]

F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Chief Executive Officer and Director of The Vanguard Group and President and Chief Executive Officer of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; President of The Vanguard Group (2008–2017); Managing Director of The Vanguard Group (1995–2008).

Independent Trustees

Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College; Trustee of the University of Rochester.

Rajiv L. Gupta

Born 1945. Trustee Since December 2001.[2] Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Arconic Inc. (diversified manufacturer), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center.

JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the Executive Committee (1997–2008), Chief Global Diversity Officer (retired 2008), Vice President and Chief Information Officer (1997–2006), Controller (1995–1997), Treasurer (1991–1995), and Assistant Treasurer (1989–1991) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; Director of the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and Chair of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Member of the Council on Chicago Booth.

Scott C. Malpass

Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, the Board of Catholic Investment Services, Inc. (investment advisor), and the Board of Superintendence of the Institute for the Works of Religion; Chairman of the Board of TIFF Advisory Services, Inc. (investment advisor).

André F. Perold

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Co-Managing Partner of HighVista Strategies LLC (private investment firm); Overseer of the Museum of Fine Arts Boston.

1 Mr. McNabb is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

2 December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

Peter F. Volanakis
Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem
Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

Christine M. Buchanan
Born 1970. Treasurer Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Global Head of Vanguard Fund Administration at The Vanguard Group; Partner at KPMG LLP (2005–2017).

Thomas J. Higgins
Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

Peter Mahoney
Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

Anne E. Robinson
Born 1970. Secretary Since September 2016. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

Michael Rollings
Born 1963. Finance Director Since November 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Director of Vanguard Marketing Corporation; Treasurer of each of the investment companies served by The Vanguard Group (February 2017–November 2017); Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante
Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

P.O. Box 2600
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Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Annuity and Insurance Services > 800-522-5555

Institutional Investor Services > 800-523-1036

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Performance Summary Fourth Quarter 2017

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

	Nonstandardized[1] Total Returns		Standardized[1] Total Returns for Periods Ended 12/31/2017				Annualized Current Yield* for Period Ended 12/31/2017
Portfolio/Subaccount (Inception Date)	**Fourth Quarter 2017**	**YTD 2017**	**1 Year**	**5 Years**	**10 Years**	**Since Inception**	
Money Market** (5/2/1991)	**0.23%**	**0.72%**	**0.71%**	**0.07%**	**0.28%**	**2.45%**	**1.05%**
Citigroup 3-Month U.S. Treasury Bill Index	0.28	0.84	0.84	0.23	0.34	2.62	
Short-Term Investment-Grade (2/8/1999)	**–0.17**	**1.80**	**1.79**	**1.45**	**2.69**	**3.53**	
Bloomberg Barclays U.S. 1–5 Year Credit Index	–0.13	2.32	2.32	1.83	3.49	4.44	
Total Bond Market Index (4/29/1991)	**0.27**	**3.18**	**3.18**	**1.64**	**3.57**	**5.20**	
Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index[2]	0.41	3.63	3.63	2.10	4.03	5.87	
High Yield Bond (6/3/1996)[3]	**–0.07**	**6.70**	**6.69**	**4.71**	**6.30**	**5.86**	
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.47	7.50	7.50	5.78	8.03	7.20	
Conservative Allocation (10/19/2011)[4]	**2.55**	**10.57**	**10.56**	**—**	**—**	**6.83**	
Conservative Allocation Composite Index	2.73	10.95	10.95	6.74	—	7.30	
Moderate Allocation (10/19/2011)[4]	**3.56**	**14.47**	**14.47**	**8.38**	**—**	**8.99**	
Moderate Allocation Composite Index	3.83	14.88	14.88	8.90	—	9.48	
Balanced (5/23/1991)[4]	**4.43**	**14.39**	**14.39**	**10.59**	**7.23**	**9.20**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Balanced Composite Index	4.61	15.76	15.76	11.24	7.46	8.84	
Total Stock Market Index (5/1/2003)	**6.20**	**20.62**	**20.62**	**15.05**	**8.17**	**9.82**	
Spliced Total Market Index***	6.33	21.16	21.16	15.52	8.58	10.22	
Equity Index (4/29/1991)	**6.53**	**21.31**	**21.30**	**15.29**	**8.06**	**9.34**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.90	
Variable Insurance Large-Cap Core Funds Average	5.93	20.32	20.32	14.22	7.12	8.55	
Equity Income (6/7/1993)	**6.31**	**17.91**	**17.91**	**14.40**	**8.37**	**9.62**	
Spliced Equity Income Index****	6.31	16.51	16.51	15.16	8.70	10.53	
Diversified Value (2/8/1999)	**5.37**	**12.83**	**12.83**	**11.79**	**6.32**	**6.95**	
Russell 1000 Value Index	5.33	13.66	13.66	14.04	7.10	7.07	
Growth (6/7/1993)	**6.07**	**30.54**	**30.54**	**16.23**	**8.72**	**7.15**	
Russell 1000 Growth Index	7.86	30.21	30.21	17.33	10.00	9.37	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.69	
Capital Growth (5/1/2003)	**6.93**	**28.46**	**28.46**	**18.82**	**10.93**	**12.53**	
Standard & Poor's 500 Index	6.64	21.83	21.83	15.79	8.50	9.81	
Mid-Cap Index (2/9/1999)[5]	**5.53**	**18.74**	**18.73**	**14.52**	**8.47**	**10.02**	
Spliced Mid Cap Index*****	5.65	19.30	19.30	15.06	8.96	10.41	
Small Company Growth (6/3/1996)[5]	**5.14**	**23.11**	**23.11**	**15.55**	**10.12**	**10.65**	
Russell 2500 Growth Index	6.35	24.46	24.46	15.47	9.62	8.06	
Variable Insurance Small-Cap Growth Funds Average	5.18	23.89	23.89	14.37	8.37	7.20	
REIT Index (2/9/1999)[6]	**1.24**	**4.47**	**4.47**	**8.77**	**7.10**	**10.09**	
REIT Spliced Index†	1.41	5.07	5.07	9.34	7.63	10.65	
International (6/3/1994)[7]	**3.88**	**42.26**	**42.26**	**10.48**	**4.36**	**7.32**	
Spliced International Index††	5.00	27.19	27.19	6.80	1.23	4.89	
Total International Stock Market Index (9/7/2017)	**4.83**	**—**	**—**	**—**	**—**	**5.66**	
FTSE Global All Cap ex US Index	—	—	—	—	—	0.93	
Global Bond Index (9/7/2017)	**0.53**	**—**	**—**	**—**	**—**	**–0.24**	
Global Bond Composite Index	—	—	—	—	—	–0.79	

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*Seven-day yield for the Money Market Portfolio; the annualized yield reflects the current earnings of the portfolio more closely than the total returns shown.

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***Spliced Total Market Index: Dow Jones Wilshire 5000 Index through June 17, 2005; S&P Total Market Index thereafter.

****Spliced Equity Income Index: Russell 1000 Value Index through July 31, 2007; FTSE High Dividend Yield Index thereafter.

*****Spliced Mid Cap Index: S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

† MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

†† The portfolio adopted the MSCI All Country World Index ex USA on June 1, 2010, as its target index, replacing the MSCI EAFE Index. The Spliced International Index reflects performance of the MSCI EAFE Index through May 31, 2010, and performance of the MSCI All Country World Index ex USA thereafter.

[1]The "nonstandardized" quarter and year-to-date returns are unadjusted. The "standardized" one-, five-, and ten-year period returns are adjusted for the $25 annual fee charged on contracts valued at less than $25,000. With respect to contracts issued in New York State, performance figures shown are based on the actual performance of Vanguard Variable Insurance Fund as if the contracts were being offered in New York prior to their first New York offering date in November 1992. Distributions taken prior to age 59½ may be subject to a 10% federal penalty tax.

[2]Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

[3]Because high-yield bonds are considered speculative, investors should be prepared to assume a substantially greater level of risk than with other types of bonds.

[4]These investments are eligible for the Guaranteed Lifetime Withdrawal Benefit.

[5]A portfolio that concentrates its investments in small- and mid-capitalization stocks may be more volatile than a portfolio that invests in large-capitalization stocks.

[6]A portfolio that concentrates its investments in one economic sector or geographic region faces the risk of higher share-price volatility.

[7]Foreign stock prices are subject to the same influences as domestic stocks, but international investing can involve additional risks and expenses that can increase the potential for losses in the portfolio (for example, changes in currency rates, higher transaction costs, less stable economies and political structures, and differences in auditing and other financial standards).

Average portfolio performance is based on data provided by Lipper, a Thomson Reuters Company.

The returns presented in the table on the reverse take into account the reinvestment of all dividends and capital gains, reduced by a daily mortality and expense risk charge. The daily mortality and expense risk charge corresponds to an annual fee of 0.19% and an administrative charge that corresponds to an annual fee of 0.10%.

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Only the subaccounts bolded in the table on the reverse are available through the Vanguard Variable Annuity.

Please reference the Vanguard Variable Insurance Fund prospectus for more information regarding risk.

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