

Semiannual Report | June 30, 2021

Vanguard Variable Insurance Funds

International Portfolio

Contents

About Your Portfolio's Expenses 1

Financial Statements 3

Trustees Approve Advisory Arrangement12

Liquidity Risk Management.....14

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, including annual expense ratios, in the Financial Statements section of this report. For additional information on operating expenses and other shareholder costs, please refer to your portfolio's current prospectus.

Six Months Ended June 30, 2021

	Beginning Account Value 12/31/2020	Ending Account Value 6/30/2021	Expenses Paid During Period
International Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,061.00	\$1.94
Based on Hypothetical 5% Yearly Return	1,000.00	1,022.91	1.91

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 0.38%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (181/365).

International Portfolio

Portfolio Allocation

As of June 30, 2021

China	17.5%
United States	16.1
Netherlands	9.5
Germany	8.3
Japan	8.3
France	6.7
United Kingdom	4.9
Switzerland	4.3
Denmark	3.8
Italy	2.7
Sweden	2.6
Hong Kong	2.4
Belgium	2.2
Taiwan	2.1
India	1.5
Spain	1.4
South Korea	1.2
Canada	1.0
Australia	0.8
Norway	0.8
Brazil	0.5
Israel	0.5
Austria	0.4
Singapore	0.3
Indonesia	0.2

The table reflects the portfolio's investments, except for short-term investments and derivatives.

Financial Statements (unaudited)

Schedule of Investments

As of June 30, 2021

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at www.sec.gov.

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (96.5%)								
Australia (0.8%)			France (6.5%)			Japan (8.0%)		
* Afterpay Ltd.	387,697	34,412	Kering SA	170,928	149,770	M3 Inc.	1,453,400	105,892
* Xero Ltd.	22,335	2,297	L'Oreal SA (XPAR)	159,661	71,304	Nidec Corp.	697,100	80,160
		36,709	* Schneider Electric SE	291,615	45,971	SMC Corp.	70,600	41,767
			Alstom SA	301,665	15,242	Sony Group Corp.	272,200	26,395
			Legrand SA	105,387	11,169	Recruit Holdings Co. Ltd.	458,500	22,484
					293,456	Bridgestone Corp.	388,900	17,676
Austria (0.4%)			Germany (8.1%)			Takeda Pharmaceutical Co. Ltd.	450,600	15,122
Erste Group Bank AG	505,751	18,592	* ^{1,2} Zalando SE	769,908	93,113	Toyota Motor Corp.	116,400	10,175
Belgium (2.1%)			* HelloFresh SE	648,450	63,035	Murata Manufacturing Co. Ltd.	133,100	10,139
Umicore SA	748,185	45,773	* ¹ Delivery Hero SE	461,847	61,022	Sekisui Chemical Co. Ltd.	558,100	9,556
* Argenx SE	120,433	36,336	Bayerische Motoren Werke AG	261,961	27,772	Kubota Corp.	466,300	9,433
UCB SA	136,574	14,304	adidas AG	61,173	22,827	SBI Holdings Inc.	293,000	6,921
		96,413	Infineon Technologies AG	560,458	22,543	SoftBank Group Corp.	84,500	5,893
Brazil (0.4%)			* ² CureVac NV	214,039	15,728	Pigeon Corp.	95,700	2,699
B3 SA - Brasil Bolsa Balcao	4,022,676	13,603	* ² Jumia Technologies AG ADR	477,446	14,481			364,312
Raia Drogasil SA	1,407,155	6,991	Knorr-Bremse AG	105,275	12,112	Netherlands (9.3%)		
		20,594	Daimler AG (Registered)	127,490	11,392	ASML Holding NV	384,034	265,106
Canada (1.0%)			SAP SE	74,456	10,458	* ¹ Adyen NV	46,180	113,249
Toronto-Dominion Bank	355,423	24,908	* GEA Group AG	137,309	5,564	Royal Dutch Shell plc Class A (XLON)	1,155,223	23,342
Canadian National Railway Co.	200,093	21,112	* MorphoSys AG	44,480	3,452	Royal Dutch Shell plc Class A	948,309	19,155
		46,020	* ² Home24 SE	156,566	2,925			420,852
China (17.0%)					366,424	Norway (0.8%)		
Tencent Holdings Ltd.	2,771,200	208,651	Hong Kong (2.4%)			Equinor ASA	1,163,734	24,634
* Alibaba Group Holding Ltd.	4,919,388	139,484	AIA Group Ltd.	5,402,600	67,023	DNB ASA	464,919	10,133
* ¹ Meituan Class B	2,796,922	115,376	Hong Kong Exchanges & Clearing Ltd.	521,740	31,059			34,767
* NIO Inc. ADR	1,935,560	102,972	BOC Hong Kong Holdings Ltd.	2,631,000	8,917	Singapore (0.3%)		
* Alibaba Group Holding Ltd. ADR	196,627	44,591			106,999	* Sea Ltd. ADR	48,353	13,278
Ping An Insurance Group Co. of China Ltd. Class H	2,697,500	26,369	India (1.4%)			South Korea (1.2%)		
* Baidu Inc. ADR	126,280	25,748	Housing Development Finance Corp. Ltd.	1,000,325	33,384	Samsung Electronics Co. Ltd.	516,545	36,977
* ¹ Wuxi Biologics Cayman Inc.	1,250,000	22,888	HDFC Bank Ltd.	1,109,381	22,407	Samsung SDI Co. Ltd.	26,354	16,317
* TAL Education Group ADR	826,204	20,845	* ^{3,4} Larsen & Toubro Ltd.	357,535	7,231			53,294
* Pinduoduo Inc. ADR	135,710	17,238	ANI Technologies Private Ltd. PP (Acquired 12/1/15, Cost \$5,969)	19,170	2,287	Spain (1.4%)		
* China Mengniu Dairy Co. Ltd.	2,843,000	17,175			65,309	* Banco Bilbao Vizcaya Argentaria SA	3,979,604	24,685
* Full Truck Alliance Co. Ltd. ADR	740,642	15,094	Indonesia (0.2%)			Iberdrola SA (XMAD)	1,660,029	20,244
* JD.com Inc. ADR	93,808	7,487	Bank Central Asia Tbk PT	4,752,000	9,883	Industria de Diseno Textil SA	521,728	18,421
* Kingdee International Software Group Co. Ltd.	1,886,000	6,388						63,350
		770,306	Israel (0.4%)			Sweden (2.5%)		
Denmark (3.7%)			* Wix.com Ltd.	69,195	20,086	Atlas Copco AB Class A	726,389	44,606
* Genmab A/S	159,318	65,279	Italy (2.6%)			* ² Kinnevik AB Class B	607,166	24,313
Vestas Wind Systems A/S	1,267,655	49,530	Ferrari NV	254,073	52,452	* Oatly Group AB ADR	827,648	20,244
Ambu A/S Class B	860,929	33,127	Intesa Sanpaolo SPA	8,119,090	22,460	Assa Abloy AB Class B	520,653	15,697
Novozymes A/S Class B	146,979	11,089	EXOR NV	271,195	21,764	Svenska Handelsbanken AB Class A	990,505	11,181
Pandora A/S	48,424	6,533	* Stellantis NV	907,257	17,849			116,041
Chr Hansen Holding A/S	14,170	1,279	* FinecoBank Banca Fineco SPA	169,711	2,962	Switzerland (4.1%)		
		166,837			117,487	Roche Holding AG	121,156	45,656
						Nestle SA (Registered)	347,875	43,362

International Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Temenos AG (Registered)	117,419	18,878	Stellantis NV (XNYS)	505,456	9,941
Cie Financiere Richemont SA Class A (Registered)	136,180	16,509			710,607
Lonza Group AG (Registered)	23,257	16,488	Total Common Stocks (Cost \$2,500,056)		4,386,202
Alcon Inc.	199,409	13,986	Preferred Stock (0.5%)		
Chocoladefabriken Lindt & Spruengli AG Ptg. Ctf.	1,328	13,220	*.3,4,5 You & Mr. Jones PP (Acquired 9/23/15) (Cost \$5,200)	5,200,000	23,218
Sika AG (Registered)	31,999	10,484	Temporary Cash Investments (3.7%)		
Straumann Holding AG (Registered)	4,858	7,749	Money Market Fund (3.7%)		
Novartis AG (Registered)	13,089	1,194	^{6,7} Vanguard Market Liquidity Fund, 0.056% (Cost \$166,899)	1,668,989	166,899
		187,526	Total Investments (100.7%) (Cost \$2,672,155)		4,576,319
Taiwan (2.0%)			Other Assets and Liabilities—Net (-0.7%)		(33,444)
Taiwan Semiconductor Manufacturing Co. Ltd.	4,274,000	92,054	Net Assets (100%)		4,542,875
United Kingdom (4.3%)			Cost is in \$000.		
* Ocado Group plc	1,546,122	42,840	• See Note A in Notes to Financial Statements.		
Diageo plc	661,917	31,725	* Non-income-producing security.		
AstraZeneca plc	230,305	27,670	1 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2021, the aggregate value was \$405,648,000, representing 8.9% of net assets.		
* Burberry Group plc	529,657	15,148	2 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$37,871,000.		
National Grid plc	1,160,903	14,766	3 Restricted securities totaling \$25,505,000, representing 0.5% of net assets.		
Barclays plc	5,955,507	14,133	4 Security value determined using significant unobservable inputs.		
Reckitt Benckiser Group plc	146,043	12,903	5 Perpetual security with no stated maturity date.		
GlaxoSmithKline plc	633,626	12,456	6 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.		
Bunzl plc	353,952	11,709	7 Collateral of \$39,321,000 was received for securities on loan.		
* Whitbread plc	199,255	8,613	ADR—American Depositary Receipt.		
* Next plc	27,959	3,043	PP—Private Placement.		
		195,006	Ptg. Ctf.—Participating Certificates.		
United States (15.6%)					
* MercadoLibre Inc.	114,545	178,437			
* Tesla Inc.	208,639	141,812			
* Illumina Inc.	284,744	134,744			
* Moderna Inc.	515,706	121,181			
* Spotify Technology SA	297,150	81,891			
* Amazon.com Inc.	8,379	28,825			
* Booking Holdings Inc.	6,296	13,776			

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini S&P 500 Index	September 2021	5	1,072	13
MSCI EAFE Index	September 2021	552	63,593	(1,586)
MSCI Emerging Markets Index	September 2021	439	29,958	(120)
				(1,693)

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Assets and Liabilities

As of June 30, 2021

(\$000s, except shares and per-share amounts)	Amount
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$2,505,256)	4,409,420
Affiliated Issuers (Cost \$166,899)	166,899
Total Investments in Securities	4,576,319
Investment in Vanguard	154
Cash	536
Cash Collateral Pledged—Futures Contracts	5,879
Receivables for Investment Securities Sold	22,426
Receivables for Accrued Income	7,564
Receivables for Capital Shares Issued	319
Other Assets	48
Total Assets	4,613,245
Liabilities	
Foreign Currency Due to Custodian, at Value (Proceeds \$768)	747
Payables for Investment Securities Purchased	24,425
Collateral for Securities on Loan	39,321
Payables to Investment Advisor	2,288
Payables for Capital Shares Redeemed	1,418
Payables to Vanguard	352
Variation Margin Payable—Futures Contracts	705
Deferred Foreign Capital Gains Taxes	1,114
Total Liabilities	70,370
Net Assets	4,542,875

At June 30, 2021, net assets consisted of:

Paid-in Capital	1,355,300
Total Distributable Earnings (Loss)	3,187,575
Net Assets	4,542,875

Net Assets	
Applicable to 106,187,531 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	4,542,875
Net Asset Value Per Share	\$42.78

Statement of Operations

	Six Months Ended June 30, 2021
	(\$000)
Investment Income	
Income	
Dividends ¹	42,483
Interest ²	76
Securities Lending—Net	768
Total Income	43,327
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	4,151
Performance Adjustment	975
The Vanguard Group—Note C	
Management and Administrative	4,803
Marketing and Distribution	138
Custodian Fees	93
Shareholders' Reports	10
Trustees' Fees and Expenses	1
Total Expenses	10,171
Net Investment Income	33,156
Realized Net Gain (Loss)	
Investment Securities Sold ^{2,3}	1,240,627
Futures Contracts	17,417
Foreign Currencies	(159)
Realized Net Gain (Loss)	1,257,885
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ^{2,4}	(970,841)
Futures Contracts	(4,803)
Foreign Currencies	(254)
Change in Unrealized Appreciation (Depreciation)	(975,898)
Net Increase (Decrease) in Net Assets Resulting from Operations	315,143

¹ Dividends are net of foreign withholding taxes of \$3,911,000.

² Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$72,000, less than \$1,000, and less than \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

³ Includes \$839,179,000 of net gain (loss) resulting from in-kind redemptions.

⁴ The change in unrealized appreciation (depreciation) is net of the change in deferred foreign capital gains taxes of \$240,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	33,156	21,426
Realized Net Gain (Loss)	1,257,885	406,591
Change in Unrealized Appreciation (Depreciation)	(975,898)	1,700,505
Net Increase (Decrease) in Net Assets Resulting from Operations	315,143	2,128,522
Distributions		
Total Distributions	(424,362)	(147,347)
Capital Share Transactions		
Issued	441,678	673,953
Issued in Lieu of Cash Distributions	424,362	147,347
Redeemed	(2,111,201)	(928,547)
Net Increase (Decrease) from Capital Share Transactions	(1,245,161)	(107,247)
Total Increase (Decrease)	(1,354,380)	1,873,928
Net Assets		
Beginning of Period	5,897,255	4,023,327
End of Period	4,542,875	5,897,255

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2021	Year Ended December 31,				
	2021	2020	2019	2018	2017	2016
Net Asset Value, Beginning of Period	\$43.57	\$29.00	\$23.14	\$27.34	\$19.54	\$19.80
Investment Operations						
Net Investment Income ¹	.269	.158	.371	.367	.224	.271
Net Realized and Unrealized Gain (Loss) on Investments	2.149	15.535	6.692	(3.644)	7.992	.075
Total from Investment Operations	2.418	15.693	7.063	(3.277)	8.216	.346
Distributions						
Dividends from Net Investment Income	(.123)	(.397)	(.378)	(.212)	(.258)	(.280)
Distributions from Realized Capital Gains	(3.085)	(.726)	(.825)	(.711)	(.158)	(.326)
Total Distributions	(3.208)	(1.123)	(1.203)	(.923)	(.416)	(.606)
Net Asset Value, End of Period	\$42.78	\$43.57	\$29.00	\$23.14	\$27.34	\$19.54
Total Return	6.10%	57.58%	31.22%	-12.61%	42.60%	1.93%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$4,543	\$5,897	\$4,023	\$3,109	\$3,198	\$2,131
Ratio of Total Expenses to Average Net Assets ²	0.38%	0.38%	0.38%	0.37%	0.39%	0.39%
Ratio of Net Investment Income to Average Net Assets	1.24%	0.49%	1.43%	1.36%	0.93%	1.40%
Portfolio Turnover Rate	11% ³	22%	14%	16%	16%	29%

The expense ratio and net investment income ratio for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 Includes performance-based investment advisory fee increases (decreases) of 0.04%, 0.04%, 0.04%, 0.03%, 0.03%, and 0.03%.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the portfolio's capital shares.

Notes to Financial Statements

The International 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. The portfolio invests in securities of foreign issuers, which may subject to investment risks not normally associated with investing in securities of U.S. corporations. Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect assets of the portfolio and thus portfolio performance.

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. **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 index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The portfolio may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any securities pledged as initial margin for open contracts are noted in the Schedule of Investments.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Assets and Liabilities. Fluctuations in the value of the contracts are recorded in the Statement of Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized gains (losses) on futures contracts.

During the six months ended June 30, 2021, the portfolio's average investments in long and short futures contracts represented 3% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

4. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. The portfolio's tax returns are open 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. Management has analyzed the portfolio's tax positions taken for all open federal and state income tax years, and has concluded that no provision for income tax is required in the portfolio's financial statements.

5. Distributions: Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined on a tax basis at the fiscal year-end and may differ from net investment income and realized capital gains for financial reporting purposes.

6. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Collateral investments in Vanguard Market Liquidity Fund are subject to market appreciation or depreciation. 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.

7. Credit Facilities and Interfund Lending Program: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement and an uncommitted credit facility provided by Vanguard. Both facilities may be renewed annually. Each fund is individually liable for its borrowings, if any, under the credit facilities. Borrowings may be utilized for temporary or emergency purposes, subject to the portfolio's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed 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 either facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate (or an acceptable alternate rate, if necessary), federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread, except that borrowings under the uncommitted credit facility may bear interest based upon an alternate rate agreed to by the portfolio and Vanguard.

In accordance with an exemptive order (the "Order") from the SEC, the portfolio may participate in a joint lending and borrowing program that allows registered open-end Vanguard funds to borrow money from and lend money to each other for temporary or emergency purposes (the "Interfund Lending Program"), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the portfolio's investment objective and investment policies. Interfund loans and borrowings normally extend overnight, but can have a maximum duration of seven days. Loans may be called on one business day's notice. The interest rate to be charged is governed by the conditions of the Order and internal procedures adopted by the board of trustees. The board of trustees is responsible for overseeing the Interfund Lending Program.

For the six months ended June 30, 2021, the portfolio did not utilize the credit facilities or the Interfund Lending Program.

8. Other: Dividend income is recorded on the ex-dividend date. Non-cash dividends included in income, if any, are recorded at the fair value of the securities received. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are

amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

Taxes on foreign dividends and capital gains have been provided for in accordance with the portfolio's understanding of the applicable countries' tax rules and rates. Deferred foreign capital gains tax, if any, is accrued daily based upon net unrealized gains. The portfolio has filed tax reclaims for previously withheld taxes on dividends earned in certain European Union countries. These filings are subject to various administrative and judicial proceedings within these countries. Such tax reclaims received during the year, if any, are included in dividend income. No other amounts for additional tax reclaims are reflected in the financial statements due to the uncertainty as to the ultimate resolution of proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment.

B. The investment advisory firms Baillie Gifford Overseas Ltd. and Schroder Investment Management North America Inc. each provide investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee of Baillie Gifford Overseas Ltd. and Schroder Investment Management North America Inc. is subject to quarterly adjustments based on performance relative to the MSCI All Country World Index ex USA for the preceding three years.

Vanguard manages the cash reserves of the portfolio as described below.

For the six months ended June 30, 2021, the aggregate investment advisory fee paid to all advisors represented an effective annual rate of 0.16% of the portfolio's average net assets, before a net increase of \$975,000 (0.04%) 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 and are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2021, the portfolio had contributed to Vanguard capital in the amount of \$154,000, representing less than 0.01% of the portfolio's net assets and 0.06% of Vanguard's capital received pursuant to the FSA. 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 and derivatives. 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 and derivatives valued with significant unobservable inputs are noted on the Schedule of Investments.

International Portfolio

The following table summarizes the market value of the portfolio's investments and derivatives as of June 30, 2021, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
Investments				
Assets				
Common Stocks—North and South America	767,280	9,941	—	777,221
Common Stocks—Other	317,792	3,288,902	2,287	3,608,981
Preferred Stock	—	—	23,218	23,218
Temporary Cash Investments	166,899	—	—	166,899
Total	1,251,971	3,298,843	25,505	4,576,319
Derivative Financial Instruments				
Assets				
Futures Contracts ¹	13	—	—	13
Liabilities				
Futures Contracts ¹	1,706	—	—	1,706

¹ Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

E. As of June 30, 2021, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	2,672,697
Gross Unrealized Appreciation	1,952,382
Gross Unrealized Depreciation	(50,454)
Net Unrealized Appreciation (Depreciation)	1,901,928

F. During the six months ended June 30, 2021, the portfolio purchased \$571,132,000 of investment securities and sold \$2,104,506,000 of investment securities, other than temporary cash investments. Purchases and sales include \$0 and \$1,378,621,000, respectively, in connection with in-kind purchases and redemptions of the portfolio's capital shares.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
	Shares (000)	Shares (000)
Issued	9,924	20,275
Issued in Lieu of Cash Distributions	10,657	6,412
Redeemed	(49,742)	(30,059)
Net Increase (Decrease) in Shares Outstanding	(29,161)	(3,372)

At June 30, 2021, 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 36% of the portfolio's net assets. If this shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

H. Management has determined that no events or transactions occurred subsequent to June 30, 2021, that would require recognition or disclosure in these financial statements.

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Funds International Portfolio has renewed the portfolio's investment advisory arrangements with Baillie Gifford Overseas Ltd. (Baillie Gifford) and Schroder Investment Management North America Inc. (Schroder Inc.), as well as the sub-advisory agreement with Schroder Investment Management North America Ltd. (Schroder Ltd.). The board determined that renewing the portfolio's advisory arrangements was in the best interests of the portfolio and its shareholders.

The board based its decisions upon an evaluation of each advisor's investment staff, portfolio management process, and performance. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisors and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangements. Rather, it was the totality of the circumstances that drove the board's decisions.

Nature, extent, and quality of services

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of each advisor.

The board considered the following:

Baillie Gifford. Baillie Gifford—a unit of Baillie Gifford & Co., founded in 1908—is among the largest independently owned investment management firms in the United Kingdom. Baillie Gifford uses fundamental research to make long-term investments in companies that have above-average growth potential resulting from sustainable competitive advantages, special cultures and management, or competitive strength in underestimated technology shifts. Baillie Gifford believes that equities' asymmetrical return pattern means that alpha is generated by focusing on the upside and the potential to earn exponential returns rather than being overly concerned with avoiding losing investments. The advisor takes a bottom-up, stock-driven approach to sector and country allocation. Baillie Gifford has advised a portion of the portfolio since 2003.

Schroder. Schroders plc, the parent company of Schroder Inc. and Schroder Ltd. (collectively, Schroder), has been in existence for more than 200 years and has investment management experience dating back to 1926. Schroder uses fundamental research to identify quality growth stocks with sustainable competitive advantages selling at attractive valuations. Bottom-up research is conducted within the context of key structural trends shaping the global economy or a given industry that will drive a company's future growth prospects. The Schroder portfolio's holdings are classified as either "core" or "opportunistic." Core holdings generally constitute two-thirds of the Schroder portfolio and tend to be longer-term holdings because of competitive advantages that can support above-average growth rates for an extended period. Opportunistic holdings tend to be shorter-term and more cyclical in nature. Schroder Inc. has advised the portfolio since its inception in 1994, and its affiliate Schroder Ltd. has sub-advised the portfolio since 2003.

The board concluded that each advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangements.

Investment performance

The board considered the short- and long-term performance of each advisor, including any periods of outperformance or underperformance compared with a relevant benchmark index and peer group. The board concluded that the performance was such that the advisory arrangements should continue.

Cost

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory fee rate was also well below the peer-group average.

The board did not consider the profitability of Baillie Gifford or Schroder in determining whether to approve the advisory fees, because the firms are independent of Vanguard and the advisory fees are the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the advisory fee rates negotiated with Baillie Gifford and Schroder without any need for asset-level breakpoints. The advisory fee rates are very low relative to the average rate paid by funds in the portfolio's peer group.

The board will consider whether to renew the advisory arrangements again after a one-year period.

Liquidity Risk Management

Vanguard funds (except for the money market funds) have adopted and implemented a written liquidity risk management program (the "Program") as required by Rule 22e-4 under the Investment Company Act of 1940. Rule 22e-4 requires that each fund adopt a program that is reasonably designed to assess and manage the fund's liquidity risk, which is the risk that the fund could not meet redemption requests without significant dilution of remaining investors' interests in the fund.

Assessment and management of a fund's liquidity risk under the Program take into consideration certain factors, such as the fund's investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions, its short- and long-term cash-flow projections during both normal and reasonably foreseeable stressed conditions, and its cash and cash-equivalent holdings and access to other funding sources. As required by the rule, the Program includes policies and procedures for classification of fund portfolio holdings in four liquidity categories, maintaining certain levels of highly liquid investments, and limiting holdings of illiquid investments.

The board of trustees of Vanguard Variable Insurance Funds approved the appointment of liquidity risk management program administrators responsible for administering the International Portfolio's Program and for carrying out the specific responsibilities set forth in the Program, including reporting to the board on at least an annual basis regarding the Program's operation, its adequacy, and the effectiveness of its implementation for the past year (the "Program Administrator Report"). The board has reviewed the Program Administrator Report covering the period from January 1, 2020, through December 31, 2020 (the "Review Period"). The Program Administrator Report stated that during the Review Period the Program operated and was implemented effectively to manage the portfolio's liquidity risk.

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