Vanguard

Semiannual Report | June 30, 2021

Vanguard Variable Insurance Funds

Growth Portfolio

Contents

Results of Proxy Voting

At a joint special meeting of shareholders on January 22, 2021, fund shareholders approved the following proposal:

Proposal—Reclassify the diversification status of the Growth Portfolio to non-diversified and eliminate a related fundamental policy.

Reclassifying the fund's diversification status to non-diversified, as defined by the Investment Company Act of 1940, and eliminating a related fundamental policy provides the fund's portfolio managers with increased investment flexibility and potential for better investment performance.

Vanguard Fund	For	Abstain	Against	Broker Non-Votes	Percentage For
Growth Portfolio	27,839,598	2,293,667	2,321,010	0	85.8%

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

Growth Portfolio	Beginning Account Value 12/31/2020	Ending Account Value 6/30/2021	Expenses Paid During Period
Based on Actual Portfolio Return	$1,000.00	$1,113.90	$2.15
Based on Hypothetical 5% Yearly Return	1,000.00	1,022.76	2.06

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 0.41%. 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).

Growth Portfolio

Portfolio Allocation
As of June 30, 2021

Communication Services	15.0%
Consumer Discretionary	14.4
Consumer Staples	2.7
Energy	0.4
Financials	5.5
Health Care	7.1
Industrials	6.5
Information Technology	47.9
Real Estate	0.5
Other	0.0

The table reflects the portfolio's investments, except for short-term investments and derivatives. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.

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)
	Common Stocks (99.5%)		
	Communication Services (14.9%)		
*	Alphabet Inc. Class C	34,329	86,039
*	Facebook Inc. Class A	161,186	56,046
*	ZoomInfo Technologies Inc. Class A	323,262	16,865
*	Snap Inc. Class A	204,262	13,918
*	Match Group Inc.	68,745	11,085
*	Walt Disney Co.	55,185	9,700
			193,653
	Consumer Discretionary (14.3%)		
*	Amazon.com Inc.	27,040	93,022
*	Airbnb Inc. Class A	105,237	16,116
	TJX Cos. Inc.	234,178	15,788
*	Lululemon Athletica Inc.	40,012	14,603
*	DraftKings Inc. Class A	263,017	13,722
*	Burlington Stores Inc.	37,978	12,229
*	Booking Holdings Inc.	5,117	11,196
*	Hilton Worldwide Holdings Inc.	72,635	8,761
			185,437
	Consumer Staples (2.7%)		
	Constellation Brands Inc. Class A	95,360	22,304
*	Monster Beverage Corp.	143,601	13,118
			35,422
	Energy (0.4%)		
	Schlumberger NV	162,597	5,205
	Financials (5.5%)		
	American Express Co.	120,917	19,979
	MarketAxess Holdings Inc.	27,615	12,802
	Blackstone Group Inc.	99,594	9,675
	S&P Global Inc.	20,978	8,610
	Marsh & McLennan Cos. Inc.	60,941	8,573
*	Markel Corp.	6,296	7,472
*	Coinbase Global Inc. Class A	16,471	4,172
			71,283
	Health Care (7.1%)		
	UnitedHealth Group Inc.	51,040	20,439
*	Illumina Inc.	39,378	18,634
*	Boston Scientific Corp.	374,772	16,025
*	ABIOMED Inc.	48,092	15,010
*	Seagen Inc.	73,917	11,670
*	Mettler-Toledo International Inc.	4,552	6,306
	Zoetis Inc.	17,349	3,233
			91,317
	Industrials (6.5%)		
	TransUnion	204,275	22,431
*	Copart Inc.	119,548	15,760
	IHS Markit Ltd.	121,593	13,699
	Northrop Grumman Corp.	29,629	10,768
*	Uber Technologies Inc.	194,504	9,748
*	Airbus SE ADR	200,235	6,448
	IDEX Corp.	13,028	2,867
*	Didi Global Inc. ADR	90,850	1,285
*	Legalzoom.com Inc.	18,400	696
			83,702
	Information Technology (47.6%)		
	Microsoft Corp.	376,966	102,120
	Apple Inc.	674,379	92,363
	Mastercard Inc. Class A	108,291	39,536
*	PayPal Holdings Inc.	128,314	37,401
*	Adobe Inc.	51,136	29,947
*	salesforce.com Inc.	107,674	26,301
*	Advanced Micro Devices Inc.	268,542	25,224
	NVIDIA Corp.	29,301	23,444
*	Square Inc. Class A	95,307	23,236
	Microchip Technology Inc.	134,225	20,099
*	Autodesk Inc.	66,011	19,269
*	FleetCor Technologies Inc.	73,256	18,758
*	ServiceNow Inc.	32,190	17,690
	Visa Inc. Class A	71,536	16,726
*	Workday Inc. Class A	66,573	15,894
	Fidelity National Information Services Inc.	109,885	15,567
	Global Payments Inc.	77,720	14,576
	Intuit Inc.	28,245	13,845
*	Avalara Inc.	85,565	13,844
*	nCino Inc.	147,545	8,841
*	Shopify Inc. Class A (XTSE)	5,894	8,611
	CDW Corp.	45,505	7,947
*	Snowflake Inc. Class A	32,451	7,847
*,1	Affirm Holdings Inc.	102,378	6,895
*	DocuSign Inc. Class A	23,539	6,581
	Monolithic Power Systems Inc.	9,797	3,659
*	Qualtrics International Inc. Class A	17,400	666
*	UiPath Inc. Class A	5,686	386
			617,273
	Real Estate (0.5%)		
	Equinix Inc.	7,618	6,114
	Total Common Stocks (Cost $917,335)		1,289,406
	Preferred Stocks (0.0%)		
*,2,3	The We Company Pfd. D1 PP (Acquired 12/1/14, Cost $185)	11,101	95
*,2,3	The We Company Pfd. D2 PP (Acquired 12/1/14, Cost $261)	15,678	135
	Total Preferred Stocks (Cost $446)		230
	Temporary Cash Investments (1.1%)		
	Money Market Fund (0.4%)		
4,5	Vanguard Market Liquidity Fund, 0.056%	51,489	5,149

	Face Amount ($000)	Market Value• ($000)
Repurchase Agreement (0.7%)		
Bank of America Securities LLC 0.050%, 7/1/21 (Dated 6/30/21, Repurchase Value $9,000,000, collateralized by Government National Mortgage Association 1.834%, 4/20/71, with a value of $9,180,000)	9,000	9,000
Total Temporary Cash Investments (Cost $14,149)		14,149
Total Investments (100.6%) (Cost $931,930)		1,303,785
Other Assets and Liabilities—Net (-0.6%)		(7,491)
Net Assets (100%)		1,296,294

Cost is in $000.

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

1 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $5,098,000.

2 Perpetual security with no stated maturity date.

3 Restricted securities totaling $230,000, representing 0.0% of net assets.

4 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

5 Collateral of $5,148,000 was received for securities on loan.

ADR—American Depositary Receipt.

PP—Private Placement.

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 $926,781)	1,298,636
Affiliated Issuers (Cost $5,149)	5,149
Total Investments in Securities	1,303,785
Investment in Vanguard	43
Receivables for Investment Securities Sold	1,368
Receivables for Accrued Income	65
Receivables for Capital Shares Issued	225
Total Assets	**1,305,486**
Liabilities	
Due to Custodian	192
Payables for Investment Securities Purchased	2,646
Collateral for Securities on Loan	5,148
Payables to Investment Advisor	544
Payables for Capital Shares Redeemed	530
Payables to Vanguard	132
Total Liabilities	**9,192**
Net Assets	**1,296,294**

At June 30, 2021, net assets consisted of:

Paid-in Capital	670,550
Total Distributable Earnings (Loss)	625,744
Net Assets	**1,296,294**

Net Assets	
Applicable to 35,837,083 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**1,296,294**
Net Asset Value Per Share	**$36.17**

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

Statement of Operations

	Six Months Ended June 30, 2021
	($000)
Investment Income	
Income	
Dividends[1]	2,507
Interest[2]	6
Securities Lending—Net	8
Total Income	2,521
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	880
Performance Adjustment	147
The Vanguard Group—Note C	
Management and Administrative	1,482
Marketing and Distribution	28
Custodian Fees	11
Shareholders' Reports and Proxy	—
Trustees' Fees and Expenses	—
Total Expenses	2,548
Net Investment Income (Loss)	**(27)**
Realized Net Gain (Loss)	
Investment Securities Sold[2]	254,023
Futures Contracts	1,204
Realized Net Gain (Loss)	**255,227**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[2]	(119,131)
Futures Contracts	(675)
Change in Unrealized Appreciation (Depreciation)	**(119,806)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**135,394**

1 Dividends are net of foreign withholding taxes of $14,000.

2 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were $5,000, less than $1,000, and less than $1,000, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	(27)	1,084
Realized Net Gain (Loss)	255,227	115,341
Change in Unrealized Appreciation (Depreciation)	(119,806)	253,322
Net Increase (Decrease) in Net Assets Resulting from Operations	135,394	369,747
Distributions		
Total Distributions	(116,517)	(47,001)
Capital Share Transactions		
Issued	49,878	253,376
Issued in Lieu of Cash Distributions	116,517	47,001
Redeemed	(136,191)	(167,365)
Net Increase (Decrease) from Capital Share Transactions	30,204	133,012
Total Increase (Decrease)	49,081	455,758
Net Assets		
Beginning of Period	**1,247,213**	**791,455**
End of Period	**1,296,294**	**1,247,213**

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

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2021	Year Ended December 31, 2020	2019	2018	2017	2016
Net Asset Value, Beginning of Period	**$35.94**	**$26.95**	**$22.82**	**$23.99**	**$19.70**	**$22.58**
Investment Operations						
Net Investment Income (Loss)	(.001)[1]	.033[1]	.108[1]	.113[1]	.094[1]	.115
Net Realized and Unrealized Gain (Loss) on Investments	3.714	10.536	7.119	.038	5.685	(.465)
Total from Investment Operations	3.713	10.569	7.227	.151	5.779	(.350)
Distributions						
Dividends from Net Investment Income	(.013)	(.104)	(.108)	(.080)	(.116)	(.126)
Distributions from Realized Capital Gains	(3.470)	(1.475)	(2.989)	(1.241)	(1.373)	(2.404)
Total Distributions	(3.483)	(1.579)	(3.097)	(1.321)	(1.489)	(2.530)
Net Asset Value, End of Period	**$36.17**	**$35.94**	**$26.95**	**$22.82**	**$23.99**	**$19.70**
Total Return	**11.39%**	**43.09%**	**33.82%**	**0.20%**	**30.92%**	**-1.08%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$1,296	$1,247	$791	$598	$558	$415
Ratio of Total Expenses to Average Net Assets[2]	0.41%	0.41%[3]	0.40%	0.39%	0.40%	0.42%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.02)%	0.11%	0.43%	0.45%	0.43%	0.53%
Portfolio Turnover Rate	53%	41%	32%	47%	28%	28%

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 0.02%, 0.01%, 0.01%, 0.00%, (0.01%), and 0.00%.

3 The ratio of expenses to average net assets for the period net of reduction from broker commission abatement arrangements was 0.40%.

Notes to Financial Statements

The 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. 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 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period. The portfolio had no open futures contracts at June 30, 2021.

4. 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.

5. 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.

6. 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.

7. 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. 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.

8. 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.

9. 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.

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 managed by the advisor. The basic fee is subject to quarterly adjustments based on performance relative to the Russell 1000 Growth Index for the preceding three years.

In February 2021, the board of trustees approved a restructuring of the portfolio's investment advisory team, removing Jackson Square Partners, LLC, as an investment advisor to the portfolio. Through February 2021, the basic fee paid to Jackson Square Partners, LLC, was subject to quarterly adjustments based on performance relative to the Russell 1000 Growth Index 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 basic rate of 0.14% of the portfolio's average net assets, before a net increase of $147,000 (0.02%) 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 $43,000, representing less than 0.01% of the portfolio's net assets and 0.02% 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. 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 Schedule of Investments.

The following table summarizes the market value of the portfolio's investments 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	1,289,406	—	—	1,289,406
Preferred Stocks	—	230	—	230
Temporary Cash Investments	5,149	9,000	—	14,149
Total	1,294,555	9,230	—	1,303,785

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

	Amount ($000)
Tax Cost	939,777
Gross Unrealized Appreciation	379,712
Gross Unrealized Depreciation	(15,704)
Net Unrealized Appreciation (Depreciation)	364,008

F. During the six months ended June 30, 2021, the portfolio purchased $648,407,000 of investment securities and sold $710,040,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
	Shares (000)	Shares (000)
Issued	1,419	8,998
Issued in Lieu of Cash Distributions	3,575	2,174
Redeemed	(3,857)	(5,844)
Net Increase (Decrease) in Shares Outstanding	1,137	5,328

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 70% 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

At its February 2021 meeting, the board of trustees of Vanguard Variable Insurance Fund Growth Portfolio renewed the portfolio's investment advisory arrangements with Jackson Square Partners, LLC (Jackson Square), and Wellington Management Company LLP (Wellington Management). The board determined that renewing the portfolio's advisory arrangements was in the best interests of the portfolio and its shareholders. Subsequently, the board approved restructuring the fund's investment team by removing Jackson Square as an investment advisor to the fund effective March 1, 2021. The board determined that Jackson Square's termination was in the best interests of the fund and its shareholders. As of March 1, 2021, Wellington Management is the sole advisor to the fund.

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:

Jackson Square. Jackson Square was founded in February 2014 by the same investment team that has managed a portion of the portfolio since October 2010. Jackson Square invests primarily in common stocks of large-capitalization, growth-oriented companies that it believes have long-term capital appreciation potential and are expected to grow faster than the U.S. economy. The advisor uses a bottom-up approach, seeking companies that are attractively priced and have large-end market potential, dominant business models, and strong free-cash-flow generation. Jackson Square has managed a portion of the portfolio since 2014.

Wellington Management. Founded in 1928, Wellington Management is among the nation's oldest and most respected institutional investment managers. The firm employs a traditional, bottom-up fundamental research approach to identify companies with sustainable competitive advantages that can drive a higher rate or longer duration of growth than the market expects, while trading at reasonable valuations. Wellington Management has managed a portion of the portfolio since 2010.

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 Jackson Square or Wellington Management 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 Jackson Square and Wellington Management 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 arrangement with Wellington Management 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 Growth 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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You can review information about your fund on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to publicinfo@sec.gov.

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