

**Semiannual Report** | June 30, 2021

## Vanguard Variable Insurance Funds

Mid-Cap Index Portfolio

**Contents**

About Your Portfolio's Expenses ..... 1

Financial Statements ..... 3

Trustees Approve Advisory Arrangement .....14

Liquidity Risk Management.....15

## 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
Mid-Cap Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,152.40	\$0.91
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.95	0.85

The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.17%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (181/365).

# Mid-Cap Index Portfolio

## Portfolio Allocation

As of June 30, 2021

Basic Materials	3.3%
Consumer Discretionary	15.8
Consumer Staples	3.9
Energy	4.3
Financials	11.2
Health Care	11.7
Industrials	14.6
Real Estate	8.6
Technology	18.7
Telecommunications	2.2
Utilities	5.7

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

The portfolio may invest in derivatives (such as futures and swap contracts) for various reasons, including, but not limited to, attempting to remain fully invested and tracking its target index as closely as possible.

The Industry Classification Benchmark ("ICB") is owned by FTSE. FTSE does not accept any liability to any person for any loss or damage arising out of any error or omission in the ICB.

# 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](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (100.0%)</b>					
<b>Basic Materials (3.3%)</b>					
International Flavors & Fragrances Inc.	92,655	13,843	* Live Nation Entertainment Inc.	52,619	4,609
Fastenal Co.	213,702	11,112	Hasbro Inc.	48,588	4,593
Nucor Corp.	111,353	10,682	Fox Corp. Class A	121,200	4,500
International Paper Co.	145,752	8,936	BorgWarner Inc.	89,040	4,322
Albemarle Corp.	43,446	7,319	* Discovery Inc. Class C	117,112	3,394
Avery Dennison Corp.	30,890	6,494	L Brands Inc.	41,500	2,990
Celanese Corp.	41,967	6,362	Rollins Inc.	81,717	2,795
Eastman Chemical Co.	50,725	5,922	* American Airlines Group Inc.	120,351	2,553
FMC Corp.	48,006	5,194	* Liberty Media Corp.-Liberty SiriusXM Class C	53,336	2,474
LyondellBasell Industries NV Class A	49,797	5,123	Interpublic Group of Cos. Inc.	73,701	2,395
CF Industries Holdings Inc.	39,494	2,032	* Vail Resorts Inc.	7,552	2,390
Westlake Chemical Corp.	6,047	545	* GameStop Corp. Class A	11,100	2,377
		<b>83,564</b>	* Penn National Gaming Inc.	29,200	2,233
			* Chewy Inc. Class A	27,620	2,202
			Fox Corp. Class B	57,068	2,009
			Sirius XM Holdings Inc.	304,800	1,993
<b>Consumer Discretionary (15.8%)</b>			Lear Corp.	11,329	1,986
* Chipotle Mexican Grill Inc.	10,448	16,198	* Discovery Inc. Class A	59,304	1,819
* Aptiv plc	100,651	15,835	Aramark	47,749	1,779
* Trade Desk Inc. Class A	160,800	12,439	* QuantumScape Corp. Class A	48,068	1,406
* Peloton Interactive Inc. Class A	95,000	11,782	* Liberty Media Corp.-Liberty SiriusXM Class A	29,745	1,386
DR Horton Inc.	120,739	10,911	Warner Music Group Corp. Class A	34,867	1,257
* Copart Inc.	79,230	10,445	Lennar Corp. Class B	6,899	562
*,1 AMC Entertainment Holdings Inc. Class A	183,600	10,406	ViacomCBS Inc. Class A	2,790	135
* Delta Air Lines Inc.	237,800	10,287	News Corp. Class B	3,475	85
Lennar Corp. Class A	101,692	10,103	* Endeavor Group Holdings Inc. Class A	426	12
* Etsy Inc.	47,300	9,736			<b>404,398</b>
ViacomCBS Inc. Class B	215,141	9,724			
Best Buy Co. Inc.	83,830	9,639	<b>Consumer Staples (3.9%)</b>		
* Wayfair Inc. Class A	27,513	8,686	Corteva Inc.	274,769	12,186
* Dollar Tree Inc.	87,044	8,661	Clorox Co.	46,311	8,332
* Expedia Group Inc.	52,649	8,619	McCormick & Co. Inc. (Non-Voting)	92,626	8,181
Garmin Ltd.	57,246	8,280	Tyson Foods Inc. Class A	109,715	8,093
* Carnival Corp.	307,916	8,117	Church & Dwight Co. Inc.	91,230	7,775
* Lululemon Athletica Inc.	22,072	8,056	Conagra Brands Inc.	178,614	6,498
Tractor Supply Co.	42,913	7,984	Archer-Daniels-Midland Co.	104,000	6,302
* Burlington Stores Inc.	24,760	7,972	AmerisourceBergen Corp.	53,524	6,128
* CarMax Inc.	60,677	7,836	Kellogg Co.	95,020	6,113
* Caesars Entertainment Inc.	73,800	7,657	McKesson Corp.	29,400	5,622
* Take-Two Interactive Software Inc.	42,997	7,611	J M Smucker Co.	38,780	5,025
* Ulta Beauty Inc.	20,572	7,113	Kroger Co.	126,804	4,858
Darden Restaurants Inc.	48,694	7,109	Hormel Foods Corp.	100,587	4,803
* Royal Caribbean Cruises Ltd.	80,543	6,869	Lamb Weston Holdings Inc.	54,413	4,389
Genuine Parts Co.	53,783	6,802	Campbell Soup Co.	73,158	3,335
Domino's Pizza Inc.	14,459	6,745	* Molson Coors Beverage Co. Class B	33,908	1,820
MGM Resorts International	155,096	6,615			<b>99,460</b>
Omnicom Group Inc.	80,144	6,411			
* NVR Inc.	1,283	6,381	<b>Energy (4.3%)</b>		
* United Airlines Holdings Inc.	120,304	6,291	Pioneer Natural Resources Co.	81,695	13,277
* Hilton Worldwide Holdings Inc.	51,800	6,248	Valero Energy Corp.	152,100	11,876
* AutoZone Inc.	4,142	6,181	Occidental Petroleum Corp.	330,000	10,319
* Southwest Airlines Co.	109,900	5,835	ONEOK Inc.	165,782	9,224
* Lyft Inc. Class A	95,398	5,770	Hess Corp.	103,336	9,023
* DraftKings Inc. Class A	104,466	5,450	* Cheniere Energy Inc.	84,920	7,366
Whirlpool Corp.	23,316	5,083	Marathon Petroleum Corp.	121,379	7,334
PulteGroup Inc.	92,928	5,071	Halliburton Co.	314,455	7,270
Advance Auto Parts Inc.	24,386	5,003	* Plug Power Inc.	211,500	7,231
News Corp. Class A	183,921	4,740	Phillips 66	81,500	6,995
* Wynn Resorts Ltd.	38,750	4,739	Baker Hughes Co.	273,512	6,255
* LKQ Corp.	95,538	4,702	Williams Cos. Inc.	226,064	6,002

# Mid-Cap Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Enphase Energy Inc.	22,700	4,169	Cooper Cos. Inc.	18,307	7,255
Devon Energy Corp.	125,900	3,675	Teleflex Inc.	17,418	6,998
		<b>110,016</b>	* Insulet Corp.	24,700	6,780
<b>Financials (11.2%)</b>			Viatris Inc.	449,857	6,428
MSCI Inc.	29,129	15,528	Quest Diagnostics Inc.	48,592	6,413
Discover Financial Services	113,432	13,418	* Hologic Inc.	95,389	6,364
First Republic Bank	65,630	12,284	Cardinal Health Inc.	108,023	6,167
* SVB Financial Group	20,167	11,221	* Elanco Animal Health Inc.	176,040	6,107
Willis Towers Watson plc	47,967	11,033	* Incyte Corp.	69,581	5,854
Arthur J Gallagher & Co.	76,700	10,744	* 10X Genomics Inc. Class A	29,200	5,718
Ameriprise Financial Inc.	43,092	10,725	* BioMarin Pharmaceutical Inc.	67,814	5,658
State Street Corp.	123,009	10,121	* ABIOMED Inc.	16,855	5,261
Fifth Third Bancorp	261,966	10,015	DENTSPLY SIRONA Inc.	81,273	5,141
Northern Trust Corp.	73,630	8,513	Royalty Pharma plc Class A	117,004	4,796
Hartford Financial Services Group Inc.	132,912	8,237	Universal Health Services Inc. Class B	27,563	4,036
Huntington Bancshares Inc.	549,433	7,840	* Henry Schein Inc.	52,390	3,887
American International Group Inc.	159,700	7,602	* Novocure Ltd.	16,400	3,638
Nasdaq Inc.	42,726	7,511	* Catalent Inc.	31,600	3,417
KeyCorp	361,236	7,459	* DaVita Inc.	25,728	3,098
Citizens Financial Group Inc.	158,550	7,273	* Oak Street Health Inc.	44,505	2,607
Regions Financial Corp.	357,793	7,220	* Bio-Rad Laboratories Inc. Class A	3,853	2,482
Broadridge Financial Solutions Inc.	43,192	6,977	* PPD Inc.	46,177	2,128
M&T Bank Corp.	47,886	6,958	* agilon health Inc.	21,800	884
Ally Financial Inc.	137,908	6,873	* GoodRx Holdings Inc. Class A	21,975	791
Cincinnati Financial Corp.	57,004	6,648			<b>301,581</b>
Principal Financial Group Inc.	101,264	6,399	<b>Industrials (14.6%)</b>		
MarketAxess Holdings Inc.	13,426	6,224	Carrier Global Corp.	323,405	15,717
KKR & Co. Inc.	102,772	6,088	IHS Markit Ltd.	133,493	15,039
* Markel Corp.	5,124	6,081	Cintas Corp.	33,281	12,713
Raymond James Financial Inc.	46,058	5,983	* TransDigm Group Inc.	19,392	12,552
* Arch Capital Group Ltd.	142,748	5,559	* Mettler-Toledo International Inc.	8,656	11,991
Equitable Holdings Inc.	159,413	4,854	AMETEK Inc.	85,922	11,471
Cboe Global Markets Inc.	39,670	4,723	Equifax Inc.	45,321	10,855
FactSet Research Systems Inc.	14,057	4,718	* Keysight Technologies Inc.	68,720	10,611
Annaly Capital Management Inc.	520,590	4,623	* Zebra Technologies Corp. Class A	19,960	10,569
Loews Corp.	83,233	4,549	Verisk Analytics Inc.	60,321	10,539
Fidelity National Financial Inc.	102,144	4,439	Synchrony Financial	216,400	10,500
Everest Re Group Ltd.	14,824	3,736	Ball Corp.	122,142	9,896
W R Berkley Corp.	49,456	3,681	Old Dominion Freight Line Inc.	38,805	9,849
Franklin Resources Inc.	112,647	3,604	* Generac Holdings Inc.	23,400	9,715
Tradeweb Markets Inc. Class A	39,000	3,298	Kansas City Southern	33,800	9,578
Globe Life Inc.	34,507	3,287	* United Rentals Inc.	26,978	8,606
* Opendoor Technologies Inc.	161,200	2,858	Vulcan Materials Co.	49,412	8,601
Lincoln National Corp.	33,536	2,107	Fortive Corp.	119,711	8,349
Interactive Brokers Group Inc. Class A	30,350	1,995	Martin Marietta Materials Inc.	23,216	8,168
* Alleghany Corp.	2,497	1,666	Dover Corp.	53,543	8,064
AGNC Investment Corp.	97,601	1,648	Xylem Inc.	66,968	8,033
SEI Investments Co.	24,233	1,502	* Expeditors International of Washington Inc.	62,818	7,953
<sup>1</sup> UWM Holdings Corp.	30,700	259	* FleetCor Technologies Inc.	31,057	7,952
		<b>288,081</b>	* Waters Corp.	22,928	7,924
<b>Health Care (11.7%)</b>			TransUnion	71,203	7,819
* IDEXX Laboratories Inc.	31,746	20,049	* Trimble Inc.	93,404	7,643
* IQVIA Holdings Inc.	71,273	17,271	* Teledyne Technologies Inc.	17,300	7,246
* Veeva Systems Inc. Class A	51,338	15,964	WW Grainger Inc.	16,463	7,211
* Centene Corp.	216,860	15,816	* Ingersoll Rand Inc.	140,412	6,853
* Dexcom Inc.	35,993	15,369	Otis Worldwide Corp.	79,796	6,525
ResMed Inc.	54,184	13,357	Jacobs Engineering Group Inc.	48,480	6,468
* Laboratory Corp. of America Holdings	36,320	10,019	Rockwell Automation Inc.	21,574	6,171
West Pharmaceutical Services Inc.	27,500	9,875	Textron Inc.	84,018	5,778
Cerner Corp.	112,148	8,765	Masco Corp.	94,428	5,563
* Teladoc Health Inc.	51,800	8,614	Westinghouse Air Brake Technologies Corp.	66,855	5,502
* Align Technology Inc.	14,014	8,563	Westrock Co.	99,303	5,285
* Seagen Inc.	50,644	7,996	Fortune Brands Home & Security Inc.	51,576	5,137
* Exact Sciences Corp.	64,048	7,962	JB Hunt Transport Services Inc.	31,469	5,128
* Horizon Therapeutics plc	83,600	7,828	Crown Holdings Inc.	50,163	5,127
* Alexion Pharmaceuticals Inc.	41,091	7,549	Packaging Corp. of America	35,308	4,781
* Alnylam Pharmaceuticals Inc.	43,733	7,414	CH Robinson Worldwide Inc.	49,490	4,636
STERIS plc	35,200	7,262	Snap-on Inc.	20,157	4,504
			Western Union Co.	152,226	3,497

# Mid-Cap Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
HEICO Corp. Class A	27,099	3,365	* VeriSign Inc.	35,631	8,113
Cognex Corp.	30,941	2,601	* Pinterest Inc. Class A	101,804	8,037
* XPO Logistics Inc.	18,101	2,532	* Palantir Technologies Inc. Class A	302,320	7,969
Jack Henry & Associates Inc.	13,860	2,266	* Slack Technologies Inc. Class A	177,603	7,868
HEICO Corp.	16,169	2,254	* Western Digital Corp.	108,328	7,710
* Mohawk Industries Inc.	10,319	1,983	* Gartner Inc.	30,437	7,372
Hubbell Inc. Class B	10,232	1,912	* Coupa Software Inc.	27,400	7,182
* Affirm Holdings Inc. Class A	19,223	1,295	* Akamai Technologies Inc.	60,652	7,072
* Marqeta Inc. Class A	17,897	502	* Hewlett Packard Enterprise Co.	484,068	7,058
		<b>374,829</b>	* Paycom Software Inc.	18,992	6,903
<b>Real Estate (8.6%)</b>			* Tyler Technologies Inc.	15,200	6,876
Digital Realty Trust Inc.	104,775	15,764	NetApp Inc.	82,880	6,781
SBA Communications Corp.	40,705	12,973	Seagate Technology Holdings plc	76,690	6,743
Welltower Inc.	155,414	12,915	* Zscaler Inc.	27,800	6,007
* CoStar Group Inc.	146,840	12,161	SS&C Technologies Holdings Inc.	80,861	5,827
AvalonBay Communities Inc.	51,959	10,843	* Unity Software Inc.	51,998	5,711
Equity Residential	132,236	10,182	* NortonLifeLock Inc.	204,963	5,579
* CBRE Group Inc. Class A	118,719	10,178	Citrix Systems Inc.	46,353	5,436
Alexandria Real Estate Equities Inc.	54,883	9,985	* GoDaddy Inc. Class A	62,397	5,426
Weyerhaeuser Co.	278,821	9,597	* IAC/InterActiveCorp	29,470	4,543
Realty Income Corp.	138,969	9,275	* Black Knight Inc.	55,385	4,319
Extra Space Storage Inc.	49,792	8,157	* MongoDB Inc. Class A	10,957	3,961
Simon Property Group Inc.	61,133	7,977	* Bentley Systems Inc. Class B	59,200	3,835
Ventas Inc.	139,600	7,971	* Dropbox Inc. Class A	112,386	3,406
Invitation Homes Inc.	211,174	7,875	* Zendesk Inc.	22,200	3,204
* Zillow Group Inc. Class C	59,800	7,309	* ON Semiconductor Corp.	79,500	3,043
Essex Property Trust Inc.	24,228	7,269	* Monolithic Power Systems Inc.	8,063	3,011
Mid-America Apartment Communities Inc.	42,638	7,181	* IPG Photonics Corp.	12,891	2,717
Sun Communities Inc.	41,588	7,128	* Leidos Holdings Inc.	26,200	2,649
Healthpeak Properties Inc.	200,609	6,678	* F5 Networks Inc.	11,131	2,078
Duke Realty Corp.	139,599	6,610	* ZoomInfo Technologies Inc. Class A	36,508	1,905
Boston Properties Inc.	52,274	5,990	* Vimeo Inc.	24,193	1,186
UDR Inc.	110,450	5,410	* Bumble Inc. Class A	20,051	1,155
WP Carey Inc.	66,127	4,934	* AppLovin Corp. Class A	12,107	910
Camden Property Trust	36,330	4,820	* Qualtrics International Inc. Class A	9,964	381
Iron Mountain Inc.	107,463	4,548			<b>480,421</b>
* Host Hotels & Resorts Inc.	130,158	2,224	<b>Telecommunications (2.2%)</b>		
* Zillow Group Inc. Class A	16,500	2,022	* Motorola Solutions Inc.	63,131	13,690
Regency Centers Corp.	31,299	2,005	* Roku Inc. Class A	21,396	9,826
VEREIT Inc.	43,098	1,980	* Liberty Broadband Corp. Class C	56,539	9,818
		<b>221,961</b>	* Arista Networks Inc.	21,290	7,714
<b>Technology (18.7%)</b>			Lumen Technologies Inc.	409,887	5,570
* DocuSign Inc.	68,800	19,234	* DISH Network Corp. Class A	90,931	3,801
Marvell Technology Inc.	297,838	17,373	* Altice USA Inc. Class A	81,577	2,785
* Synopsys Inc.	56,761	15,654	Juniper Networks Inc.	60,139	1,645
* Match Group Inc.	95,504	15,400	* Liberty Broadband Corp. Class A	8,986	1,511
Microchip Technology Inc.	101,789	15,242	Ubiquiti Inc.	2,366	739
Amphenol Corp. Class A	222,452	15,218			<b>57,099</b>
* Cadence Design Systems Inc.	103,545	14,167	<b>Utilities (5.7%)</b>		
Xilinx Inc.	91,515	13,237	Waste Connections Inc.	97,387	11,631
* Okta Inc. Class A	53,377	13,060	WEC Energy Group Inc.	117,363	10,439
* Palo Alto Networks Inc.	34,466	12,789	American Water Works Co. Inc.	67,562	10,413
* Fortinet Inc.	51,670	12,307	Eversource Energy	127,784	10,253
Skyworks Solutions Inc.	61,429	11,779	DTE Energy Co.	71,996	9,331
Corning Inc.	285,245	11,667	Consolidated Edison Inc.	127,539	9,147
* ANSYS Inc.	32,442	11,259	Edison International	141,241	8,167
Maxim Integrated Products Inc.	99,889	10,524	PPL Corp.	271,967	7,607
* EPAM Systems Inc.	19,900	10,168	Ameren Corp.	95,006	7,604
* Twitter Inc.	141,077	9,708	FirstEnergy Corp.	202,378	7,530
* HubSpot Inc.	16,500	9,615	Entergy Corp.	74,656	7,443
KLA Corp.	28,519	9,246	AES Corp.	247,823	6,461
CDW Corp.	52,162	9,110	CMS Energy Corp.	107,699	6,363
* Cloudflare Inc. Class A	85,800	9,081	* PG&E Corp.	553,967	5,634
* Splunk Inc.	60,887	8,803	CenterPoint Energy Inc.	215,895	5,294
* RingCentral Inc. Class A	29,990	8,715	Alliant Energy Corp.	92,998	5,186
* Datadog Inc. Class A	82,700	8,607	Evergy Inc.	84,465	5,104
Teradyne Inc.	61,900	8,292	NiSource Inc.	145,893	3,574
* Qorvo Inc.	41,878	8,193	Vistra Corp.	179,426	3,328

# Mid-Cap Index Portfolio

	Shares	Market Value* (\$000)
NRG Energy Inc.	45,871	1,849
Pinnacle West Capital Corp.	21,194	1,737
Avangrid Inc.	28,845	1,484
	<b>145,579</b>	
<b>Total Common Stocks</b> <b>(Cost \$1,760,505)</b>		<b>2,566,989</b>
<b>Temporary Cash Investments (0.4%)</b>		
<b>Money Market Fund (0.4%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 0.056% <b>(Cost \$9,497)</b>	94,967	<b>9,497</b>
<b>Total Investments (100.4%)</b> <b>(Cost \$1,770,002)</b>		<b>2,576,486</b>
<b>Other Assets and Liabilities—Net (-0.4%)</b>		<b>(9,446)</b>
<b>Net Assets (100%)</b>		<b>2,567,040</b>

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 \$9,235,000.

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 Collateral of \$9,490,000 was received for securities on loan.

## Derivative Financial Instruments Outstanding as of Period End

### Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini S&P Mid-Cap 400 Index	September 2021	6	1,615	—

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
<b>Assets</b>	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$1,760,505)	2,566,989
Affiliated Issuers (Cost \$9,497)	9,497
Total Investments in Securities	2,576,486
Investment in Vanguard	88
Cash Collateral Pledged—Futures Contracts	155
Receivables for Investment Securities Sold	316
Receivables for Accrued Income	2,424
Receivables for Capital Shares Issued	753
<b>Total Assets</b>	<b>2,580,222</b>
<b>Liabilities</b>	
Due to Custodian	1,135
Payables for Investment Securities Purchased	226
Collateral for Securities on Loan	9,490
Payables for Capital Shares Redeemed	2,153
Payables to Vanguard	178
Variation Margin Payable—Futures Contracts	—
<b>Total Liabilities</b>	<b>13,182</b>
<b>Net Assets</b>	<b>2,567,040</b>

At June 30, 2021, net assets consisted of:

Paid-in Capital	1,607,820
Total Distributable Earnings (Loss)	959,220
<b>Net Assets</b>	<b>2,567,040</b>

<b>Net Assets</b>	
Applicable to 93,966,597 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	2,567,040
<b>Net Asset Value Per Share</b>	<b>\$27.32</b>

## Statement of Operations

	Six Months Ended June 30, 2021
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	13,078
Interest <sup>1</sup>	1
Securities Lending—Net	109
Total Income	13,188
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	182
Management and Administrative	1,755
Marketing and Distribution	61
Custodian Fees	32
Shareholders' Reports	11
Trustees' Fees and Expenses	—
Total Expenses	2,041
<b>Net Investment Income</b>	<b>11,147</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	142,281
Futures Contracts	662
<b>Realized Net Gain (Loss)</b>	<b>142,943</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	185,296
Futures Contracts	(129)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>185,167</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>339,257</b>

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

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	11,147	29,290
Realized Net Gain (Loss)	142,943	163,685
Change in Unrealized Appreciation (Depreciation)	185,167	140,812
Net Increase (Decrease) in Net Assets Resulting from Operations	339,257	333,787
<b>Distributions</b>		
Total Distributions	(190,939)	(142,409)
<b>Capital Share Transactions</b>		
Issued	185,798	302,317
Issued in Lieu of Cash Distributions	190,939	142,409
Redeemed	(199,039)	(549,858)
Net Increase (Decrease) from Capital Share Transactions	177,698	(105,132)
Total Increase (Decrease)	326,016	86,246
<b>Net Assets</b>		
Beginning of Period	2,241,024	2,154,778
End of Period	2,567,040	2,241,024

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,				
	2021	2020	2019	2018	2017	2016
<b>Net Asset Value, Beginning of Period</b>	<b>\$25.77</b>	<b>\$24.03</b>	<b>\$20.23</b>	<b>\$23.72</b>	<b>\$21.11</b>	<b>\$20.76</b>
<b>Investment Operations</b>						
Net Investment Income	.123 <sup>1</sup>	.325 <sup>1,2</sup>	.334 <sup>1</sup>	.343 <sup>1</sup>	.292 <sup>1</sup>	.280
Net Realized and Unrealized Gain (Loss) on Investments	3.643	3.047	5.621	(2.386)	3.575	1.814
Total from Investment Operations	3.766	3.372	5.955	(2.043)	3.867	2.094
<b>Distributions</b>						
Dividends from Net Investment Income	(.318)	(.344)	(.350)	(.286)	(.270)	(.292)
Distributions from Realized Capital Gains	(1.898)	(1.288)	(1.805)	(1.161)	(.987)	(1.452)
Total Distributions	(2.216)	(1.632)	(2.155)	(1.447)	(1.257)	(1.744)
<b>Net Asset Value, End of Period</b>	<b>\$27.32</b>	<b>\$25.77</b>	<b>\$24.03</b>	<b>\$20.23</b>	<b>\$23.72</b>	<b>\$21.11</b>
<b>Total Return</b>	<b>15.24%</b>	<b>18.07%</b>	<b>30.87%</b>	<b>-9.33%</b>	<b>19.08%</b>	<b>11.11%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$2,567	\$2,241	\$2,155	\$1,621	\$1,804	\$1,495
Ratio of Total Expenses to Average Net Assets	0.17%	0.17%	0.17%	0.17%	0.19%	0.19%
Ratio of Net Investment Income to Average Net Assets	0.94%	1.50% <sup>2</sup>	1.49%	1.49%	1.32%	1.40%
Portfolio Turnover Rate	12%	28%	21%	21%	18%	21%

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

1 Calculated based on average shares outstanding.

2 Net investment income per share and the ratio of net investment income to average net assets include \$0.036 and 0.17%, respectively, resulting from a special dividend from NortonLifeLock Inc. in February 2020.

## Notes to Financial Statements

The Mid-Cap Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. 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 materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. **Futures Contracts:** The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any 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 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. 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.

4. **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.

5. **Securities Lending:** To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of

prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. 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.

6. 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 alternative 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.

7. 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. 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 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 \$88,000, representing less than 0.01% of the portfolio's net assets and 0.04% of Vanguard's capital received pursuant to the FSA. 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 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.

At June 30, 2021, 100% of the market value of the portfolio's investments and derivatives was determined based on Level 1 inputs.

D. 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	1,770,420
Gross Unrealized Appreciation	850,562
Gross Unrealized Depreciation	(44,496)
Net Unrealized Appreciation (Depreciation)	806,066

E. During the six months ended June 30, 2021, the portfolio purchased \$286,883,000 of investment securities and sold \$283,107,000 of investment securities, other than temporary cash investments.

The portfolio purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended June 30, 2021, such purchases and sales were \$61,180,000 and \$60,427,000, respectively; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
	Shares (000)	Shares (000)
Issued	6,942	14,451
Issued in Lieu of Cash Distributions	7,500	8,812
Redeemed	(7,441)	(25,982)
Net Increase (Decrease) in Shares Outstanding	7,001	(2,719)

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 39% of the portfolio's net assets. If this shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

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

# Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Funds Mid-Cap Index Portfolio has renewed the portfolio's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard), through its Equity Index Group. The board determined that continuing the portfolio's internalized management structure was in the best interests of the portfolio and its shareholders.

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

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

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

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

## **Nature, extent, and quality of services**

The board reviewed the quality of the portfolio's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than four decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

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

## **Investment performance**

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance compared with its target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue.

## **Cost**

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

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

## **The benefit of economies of scale**

The board concluded that the portfolio's arrangement with Vanguard ensures that the portfolio will realize economies of scale as it grows, with the cost to shareholders declining as portfolio assets increase.

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



## 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 Mid-Cap Index 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 portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](https://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [www.sec.gov](https://www.sec.gov). In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either [vanguard.com/proxyreporting](https://vanguard.com/proxyreporting) or [www.sec.gov](https://www.sec.gov).