



**Semiannual Report** | June 30, 2019

# Vanguard Variable Insurance Fund

Total Stock Market Index Portfolio  
(with underlying Equity Index Portfolio)

See the inside front cover for important information about access to your fund's annual and semiannual shareholder reports.

## Important information about access to shareholder reports

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund's annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](http://vanguard.com).

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to [vanguard.com](http://vanguard.com). Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

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# Total Stock Market Index Portfolio

## About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A typical portfolio's expenses are expressed as a percentage of its average net assets. The Total Stock Market Index Portfolio has no direct expenses, but bears its proportionate share of the expenses of the underlying funds in which it invests. These indirect expenses make up the acquired fund fees and expenses, also expressed as a percentage of average net assets. 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 costs were calculated using the acquired fund fees and expenses for the Total Stock Market Index Portfolio.

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. The portfolio's expense figure does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

### Six Months Ended June 30, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
Total Stock Market Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,186.25	\$0.70
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.15	0.65

The calculations are based on the Total Stock Market Index Portfolio's acquired fund fees and expenses for the most recent six-month period. The Total Stock Market Index Portfolio's annualized expense figure for that period is 0.13%. The dollar amounts shown as "Expenses Paid" are equal to the annualized average weighted expense ratio for the underlying funds, 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 recent 12-month period (181/365).

## Allocation to Underlying Funds

As of June 30, 2019

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Vanguard Variable Insurance Fund Equity Index Portfolio	83.1%
Vanguard Extended Market Index Fund Admiral Shares	16.9

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## Financial Statements (unaudited)

### Statement of Net Assets

As of June 30, 2019

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

	Shares	Market Value* (\$000)
<b>Investment Companies (100.0%)</b>		
<b>U.S. Stock Funds (100.0%)</b>		
Vanguard Variable Insurance Fund—Equity Index Portfolio	47,109,317	2,027,114
Vanguard Extended Market Index Admiral Shares	4,590,965	413,095
<b>Total Investment Companies (Cost \$1,879,962)</b>		<b>2,440,209</b>
<b>Temporary Cash Investment (0.0%)</b>		
<b>Money Market Fund (0.0%)</b>		
<sup>1</sup> Vanguard Market Liquidity Fund, 2.499% (Cost \$1)	9	1
<b>Total Investments (100.0%) (Cost \$1,879,963)</b>		<b>2,440,210</b>
<b>Other Assets and Liabilities (0.0%)</b>		
Other Assets		1,770
Liabilities		(2,010)
		(240)
<b>Net Assets (100%)</b>		
Applicable to 62,826,509 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)		2,439,970
<b>Net Asset Value Per Share</b>		<b>\$38.84</b>

	Amount (\$000)
<b>Statement of Assets and Liabilities</b>	
<b>Assets</b>	
Investments in Securities, at Value—Affiliated Funds	2,440,210
Receivables for Investment Securities Sold	794
Receivables for Capital Shares Issued	975
Receivables for Accrued Income	1
<b>Total Assets</b>	<b>2,441,980</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	1
Payables for Capital Shares Redeemed	978
Other Liabilities	1,031
<b>Total Liabilities</b>	<b>2,010</b>
<b>Net Assets</b>	<b>2,439,970</b>

At June 30, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	1,770,975
Total Distributable Earnings (Loss)	668,995
<b>Net Assets</b>	<b>2,439,970</b>

- See Note A in Notes to Financial Statements.

<sup>1</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

## Statement of Operations

	Six Months Ended June 30, 2019
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Income Distributions Received from Affiliated Funds	39,655
<b>Net Investment Income—Note B</b>	<b>39,655</b>
<b>Realized Net Gain (Loss)</b>	
Capital Gain Distributions Received from Affiliated Funds	49,187
Affiliated Funds Sold	22,256
<b>Realized Net Gain (Loss)</b>	<b>71,443</b>
<b>Change in Unrealized Appreciation (Depreciation) from Affiliated Funds</b>	<b>271,164</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>382,262</b>

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	39,655	34,940
Realized Net Gain (Loss)	71,443	66,456
Change in Unrealized Appreciation (Depreciation)	271,164	(219,589)
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>382,262</b>	<b>(118,193)</b>
<b>Distributions</b>		
Net Investment Income	(37,038)	(32,762)
Realized Capital Gain <sup>1</sup>	(66,316)	(83,757)
<b>Total Distributions</b>	<b>(103,354)</b>	<b>(116,519)</b>
<b>Capital Share Transactions</b>		
Issued	130,522	278,054
Issued in Lieu of Cash Distributions	103,354	116,519
Redeemed	(119,802)	(217,186)
<b>Net Increase (Decrease) from Capital Share Transactions</b>	<b>114,074</b>	<b>177,387</b>
<b>Total Increase (Decrease)</b>	<b>392,982</b>	<b>(57,325)</b>
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>2,046,988</b>	<b>2,104,313</b>
<b>End of Period</b>	<b>2,439,970</b>	<b>2,046,988</b>

<sup>1</sup> Includes fiscal 2019 and 2018 short-term gain distributions totaling \$0 and \$1,049,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$34.26</b>	<b>\$38.26</b>	<b>\$34.10</b>	<b>\$32.06</b>	<b>\$33.46</b>	<b>\$32.01</b>
<b>Investment Operations</b>						
Net Investment Income	.645 <sup>1</sup>	.603 <sup>1</sup>	.604 <sup>1</sup>	.710	.480	.506 <sup>1</sup>
Capital Gain Distributions Received	.800 <sup>1</sup>	.494 <sup>1</sup>	.890 <sup>1</sup>	.478	.672	.462 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments	4.860	(2.964)	5.270	2.598	(1.019)	2.717
Total from Investment Operations	6.305	(1.867)	6.764	3.786	.133	3.685
<b>Distributions</b>						
Dividends from Net Investment Income	(.618)	(.600)	(.699)	(.484)	(.433)	(.450)
Distributions from Realized Capital Gains	(1.107)	(1.533)	(1.905)	(1.262)	(1.100)	(1.785)
Total Distributions	(1.725)	(2.133)	(2.604)	(1.746)	(1.533)	(2.235)
<b>Net Asset Value, End of Period</b>	<b>\$38.84</b>	<b>\$34.26</b>	<b>\$38.26</b>	<b>\$34.10</b>	<b>\$32.06</b>	<b>\$33.46</b>
<b>Total Return</b>	<b>18.63%</b>	<b>-5.34%</b>	<b>20.97%</b>	<b>12.56%</b>	<b>0.37%</b>	<b>12.29%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$2,440	\$2,047	\$2,104	\$1,735	\$1,699	\$1,629
Ratio of Total Expenses to Average Net Assets	—	—	—	—	—	—
Acquired Fund Fees and Expenses	0.13%	0.13%	0.15%	0.16%	0.16%	0.17%
Ratio of Net Investment Income to Average Net Assets	1.80%	1.59%	1.71%	2.10%	1.53%	1.61%
Portfolio Turnover Rate	5%	5%	6%	9%	5%	9%

The expense ratio, acquired fund fees and expenses, net investment income ratio, and turnover rate for the current period have been annualized.

<sup>1</sup> Calculated based on average shares outstanding.

## Notes to Financial Statements

The Total Stock Market 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 seeks to match the return of its target index by investing in selected Vanguard funds and portfolios. The portfolio invests a substantial amount of its assets in VVIF Equity Index Portfolio. The accompanying financial statements of VVIF Equity Index Portfolio should be read in conjunction with the financial statements of the portfolio. Financial statements and other information about each underlying fund and portfolio are available on vanguard.com. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

**A.** The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Investments are valued at the net asset value of each underlying Vanguard fund determined as of the close of the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date.

2. **Federal Income Taxes:** The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2015–2018), and for the period ended June 30, 2019, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

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

4. **Credit Facility:** The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and borne by the funds in which the portfolio invests (see Note B). Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2019, or at any time during the period then ended.

5. **Other:** Income and capital gain distributions received are recorded on the ex-dividend 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. The FSA provides that expenses otherwise allocable to Vanguard funds-of-funds may be reduced or eliminated to the extent of savings realized by the underlying Vanguard funds by virtue of being part of a fund-of-funds. Accordingly, all expenses for services provided by Vanguard to the portfolio and all other expenses incurred by the portfolio during the period ended June 30, 2019, were borne by the underlying Vanguard funds in which the portfolio invests. The portfolio's trustees and officers are also trustees and officers, respectively, of the underlying Vanguard funds, as well as directors and employees, respectively, of Vanguard.

**C.** Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

**Level 1**—Quoted prices in active markets for identical securities.

**Level 2**—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

**Level 3**—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

Total Stock Market Index Portfolio

At June 30, 2019, 100% of the market value of the portfolio's investments was determined based on Level 1 inputs.

D. As of June 30, 2019, gross unrealized appreciation and depreciation for investments based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	1,879,963
Gross Unrealized Appreciation	560,902
Gross Unrealized Depreciation	(655)
Net Unrealized Appreciation (Depreciation)	560,247

E. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	3,473	7,370
Issued in Lieu of Cash Distributions	2,779	3,121
Redeemed	(3,181)	(5,731)
Net Increase (Decrease) in Shares Outstanding	3,071	4,760

F. Transactions during the period in affiliated underlying Vanguard funds were as follows:

	Current Period Transactions							June 30, 2019 Market Value (\$000)
	Dec, 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Vanguard Extended Market Index Fund	344,094	17,057	12,797	4,135	60,606	2,084	—	413,095
Vanguard Market Liquidity Fund	2,752	NA <sup>1</sup>	NA <sup>1</sup>	—	—	4	—	1
Vanguard Variable Insurance Fund— Equity Index Portfolio	1,703,774	143,501	48,840	18,121	210,558	37,567	49,187	2,027,114
Total	2,050,620	160,558	61,637	22,256	271,164	39,655	49,187	2,440,210

<sup>1</sup> Not applicable—purchases and sales are for temporary cash investment purposes.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.

## Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Variable Insurance Fund Total Stock Market 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 acquired fund fees and expenses were well below the average expense ratio charged by funds in its peer group. The portfolio does not incur advisory expenses directly; however, the board noted that each of the underlying funds in which the portfolio invests has advisory expenses well below the underlying fund's 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 Vanguard's arrangement with the portfolio and its underlying funds ensures that the portfolio will realize economies of scale as the assets of the underlying funds grow, with the cost to shareholders declining as assets increase.

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

# Equity Index Portfolio

## About Your Portfolio's Expenses

As a shareholder of the portfolio, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a portfolio's gross income, directly reduce the investment return of the portfolio.

A portfolio's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your portfolio and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your portfolio's costs in two ways:

- **Based on actual portfolio return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the portfolio's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the portfolio. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your portfolio under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your portfolio's costs with those of other mutual funds. It assumes that the portfolio had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the portfolio's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your portfolio's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the portfolio for buying and selling securities. The portfolio's expense ratio does not reflect additional fees and expenses associated with the annuity or life insurance program through which you invest.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the portfolio's expenses in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

### Six Months Ended June 30, 2019

	Beginning Account Value 12/31/2018	Ending Account Value 6/30/2019	Expenses Paid During Period
Equity Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,184.47	\$0.76
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.10	0.70

The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.14%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (181/365).

## Sector Diversification

As of June 30, 2019

Communication Services	10.2%
Consumer Discretionary	10.2
Consumer Staples	7.3
Energy	5.0
Financials	13.1
Health Care	14.2
Industrials	9.4
Information Technology	21.5
Materials	2.8
Real Estate	3.0
Utilities	3.3

The table reflects the portfolio's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P"), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.



Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
National Oilwell Varco Inc.	92,200	2,050	Nasdaq Inc.	27,250	2,621	* Waters Corp.	16,414	3,533
HollyFrontier Corp.	37,075	1,716	E*TRADE Financial Corp.	57,642	2,571	* WellCare Health Plans Inc.	11,874	3,385
Cimarex Energy Co.	23,743	1,409	Raymond James Financial Inc.	29,663	2,508	Cardinal Health Inc.	70,011	3,298
Helmerich & Payne Inc.	25,528	1,292	Franklin Resources Inc.	69,124	2,406	Quest Diagnostics Inc.	31,557	3,213
		<b>290,338</b>	Everest Re Group Ltd.	9,549	2,360	Dentsply Sirona Inc.	54,704	3,193
<b>Financials (13.1%)</b>			MarketAxess Holdings Inc.	7,187	2,310	AmerisourceBergen Corp. Class A	36,732	3,132
* Berkshire Hathaway Inc. Class B	425,016	90,601	Torchmark Corp.	23,938	2,142	* Hologic Inc.	62,831	3,017
JPMorgan Chase & Co.	764,019	85,417	Zions Bancorp NA	43,571	2,003	* Varian Medical Systems Inc.	21,254	2,893
Bank of America Corp.	2,082,977	60,406	Invesco Ltd.	93,101	1,905	* ABIOMED Inc.	10,597	2,760
Wells Fargo & Co.	952,771	45,085	Unum Group	49,978	1,677	Universal Health Services Inc. Class B	19,631	2,560
Citigroup Inc.	544,833	38,155	People's United Financial Inc.	92,025	1,544	PerkinElmer Inc.	25,856	2,491
American Express Co.	161,240	19,903	Assurant Inc.	14,487	1,541	* Henry Schein Inc.	35,504	2,482
US Bancorp	352,971	18,496	Jefferies Financial Group Inc.	58,864	1,132	* Mylan NV	121,357	2,311
Goldman Sachs Group Inc.	80,051	16,378	Affiliated Managers Group Inc.	12,208	1,125	* DaVita Inc.	29,756	1,674
CME Group Inc.	84,290	16,362				* Nektar Therapeutics Class A	40,500	1,441
Chubb Ltd.	107,952	15,900				Perrigo Co. plc	29,126	1,387
PNC Financial Services Group Inc.	106,535	14,625			<b>754,206</b>			
S&P Global Inc.	57,977	13,207	<b>Health Care (14.1%)</b>					<b>816,930</b>
Morgan Stanley	301,426	13,205	Johnson & Johnson	625,346	87,098	<b>Industrials (9.3%)</b>		
BlackRock Inc.	28,042	13,160	Pfizer Inc.	1,307,631	56,647	Boeing Co.	123,291	44,879
Marsh & McLennan Cos. Inc.	120,332	12,003	UnitedHealth Group Inc.	223,810	54,612	Honeywell International Inc.	171,464	29,936
Intercontinental Exchange Inc.	132,608	11,396	Merck & Co. Inc.	606,369	50,844	Union Pacific Corp.	166,879	28,221
Charles Schwab Corp.	280,045	11,255	Abbott Laboratories	415,452	34,940	United Technologies Corp.	190,966	24,864
MetLife Inc.	223,342	11,093	Medtronic plc	315,723	30,748	3M Co.	135,863	23,550
Progressive Corp.	137,635	11,001	Thermo Fisher Scientific Inc.	94,218	27,670	General Electric Co.	2,054,470	21,572
Aon plc	56,611	10,925	Amgen Inc.	143,691	26,479	Lockheed Martin Corp.	57,850	21,031
American International Group Inc.	205,009	10,923	AbbVie Inc.	348,232	25,323	Caterpillar Inc.	134,538	18,336
Capital One Financial Corp.	110,792	10,053	Eli Lilly & Co.	203,509	22,547	United Parcel Service Inc. Class B	164,504	16,988
Aflac Inc.	175,934	9,643	Danaher Corp.	148,344	21,201	CSX Corp.	181,222	14,021
Prudential Financial Inc.	95,422	9,638	Gilead Sciences Inc.	299,164	20,212	Northrop Grumman Corp.	39,984	12,919
Travelers Cos. Inc.	61,830	9,245	Bristol-Myers Squibb Co.	385,420	17,479	Norfolk Southern Corp.	62,514	12,461
Bank of New York Mellon Corp.	207,653	9,168	Anthem Inc.	60,562	17,091	Deere & Co.	74,667	12,373
BB&T Corp.	180,676	8,877	CVS Health Corp.	305,985	16,673	General Dynamics Corp.	63,952	11,628
Allstate Corp.	78,453	7,978	Becton Dickinson and Co.	63,544	16,014	Raytheon Co.	65,592	11,405
Moody's Corp.	38,929	7,603	* Celgene Corp.	166,148	15,359	Waste Management Inc.	92,123	10,628
* Berkshire Hathaway Inc. Class A	21	6,685	* Stryker Corp.	72,932	14,993	Illinois Tool Works Inc.	70,422	10,620
SunTrust Banks Inc.	104,193	6,549	* Intuitive Surgical Inc.	27,208	14,272	Emerson Electric Co.	144,477	9,640
T. Rowe Price Group Inc.	55,527	6,092	* Boston Scientific Corp.	327,597	14,080	FedEx Corp.	56,356	9,253
Discover Financial Services	76,116	5,906	Cigna Corp.	89,215	14,056	Roper Technologies Inc.	24,506	8,976
Willis Towers Watson plc	30,529	5,848	Zoetis Inc.	112,792	12,801	Eaton Corp. plc	99,942	8,323
M&T Bank Corp.	32,149	5,468	* Illumina Inc.	34,648	12,756	Delta Air Lines Inc.	140,716	7,986
Synchrony Financial	149,545	5,185	Allergan plc	72,624	12,159	Johnson Controls International plc	187,832	7,759
State Street Corp.	87,754	4,919	* Vertex Pharmaceuticals Inc.	60,358	11,068	Ingersoll-Rand plc	56,845	7,201
Fifth Third Bancorp	172,059	4,800	* Biogen Inc.	45,702	10,688	Cummins Inc.	34,305	5,878
Hartford Financial Services Group Inc.	85,581	4,769	Baxter International Inc.	111,958	9,169	Southwest Airlines Co.	115,521	5,866
MSCI Inc. Class A	19,832	4,736	* Edwards Lifesciences Corp.	49,128	9,076	PACCAR Inc.	81,323	5,828
Northern Trust Corp.	51,267	4,614	HCA Healthcare Inc.	63,049	8,522	Verisk Analytics Inc. Class A	38,659	5,662
Ameriprise Financial Inc.	31,726	4,605	Humana Inc.	31,831	8,445	Fortive Corp.	69,091	5,632
KeyCorp	236,188	4,192	* Alexion Pharmaceuticals Inc.	52,989	6,941	* TransDigm Group Inc.	11,565	5,595
Arthur J Gallagher & Co.	43,896	3,845	McKesson Corp.	44,657	6,002	* IHS Markit Ltd.	86,008	5,480
Citizens Financial Group Inc.	107,705	3,808	* IQVIA Holdings Inc.	37,132	5,975	Harris Corp.	27,767	5,252
First Republic Bank	38,559	3,765	* Regeneron Pharmaceuticals Inc.	18,541	5,803	Stanley Black & Decker Inc.	35,862	5,186
Cincinnati Financial Corp.	36,003	3,732	Zimmer Biomet Holdings Inc.	48,355	5,693	Parker-Hannifin Corp.	30,364	5,162
Regions Financial Corp.	237,721	3,552	Cerner Corp.	76,769	5,627	AMETEK Inc.	53,899	4,896
Principal Financial Group Inc.	60,635	3,512	Agilent Technologies Inc.	74,571	5,568	Cintas Corp.	19,844	4,709
Loews Corp.	63,093	3,449	* IDEXX Laboratories Inc.	20,172	5,554	L3 Technologies Inc.	18,791	4,607
Huntington Bancshares Inc.	244,891	3,384	* Centene Corp.	97,814	5,129	Rockwell Automation Inc.	27,702	4,538
Lincoln National Corp.	47,810	3,081	* Mettler-Toledo International Inc.	5,824	4,892	* United Continental Holdings Inc.	51,781	4,533
* SVB Financial Group	12,405	2,786	* Align Technology Inc.	17,082	4,675	Fastenal Co.	134,516	4,384
Cboe Global Markets Inc.	26,341	2,730	ResMed Inc.	33,986	4,147	Republic Services Inc. Class A	50,493	4,375
Comerica Inc.	36,453	2,648	* Laboratory Corp. of America Holdings	23,166	4,005	Equifax Inc.	28,412	3,842
			Cooper Cos. Inc.	11,709	3,945			
			Teleflex Inc.	10,958	3,629			
			* Incyte Corp.	41,821	3,553			

## Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Copart Inc.	47,749	3,569	Amphenol Corp. Class A	70,536	6,767	FMC Corp.	30,901	2,563
Xylem Inc.	42,179	3,528	Lam Research Corp.	35,334	6,637	Eastman Chemical Co.	32,849	2,557
Dover Corp.	33,968	3,404	Motorola Solutions Inc.	38,845	6,477	CF Industries Holdings Inc.	52,226	2,440
Expeditors International of Washington Inc.	40,922	3,104	* Advanced Micro Devices Inc.	208,953	6,346	Avery Dennison Corp.	20,143	2,330
American Airlines Group Inc.	92,399	3,013	Paychex Inc.	75,536	6,216	Westrock Co.	61,181	2,231
Textron Inc.	54,964	2,915	Corning Inc.	184,318	6,125	Packaging Corp. of America	22,075	2,104
Kansas City Southern	23,557	2,870	Global Payments Inc.	37,049	5,933	Mosaic Co.	83,074	2,079
WW Grainger Inc.	10,572	2,836	* FleetCor Technologies Inc.	20,302	5,702	Albemarle Corp.	24,740	1,742
Wabtec Corp.	38,290	2,748	* VeriSign Inc.	24,743	5,175	Sealed Air Corp.	36,756	1,573
CH Robinson Worldwide Inc.	32,189	2,715	Total System Services Inc.	38,550	4,945			
Masco Corp.	68,904	2,704	Microchip Technology Inc.	56,316	4,883			
* United Rentals Inc.	18,618	2,469	Hewlett Packard Enterprise Co.	315,711	4,720			
Allegion plc	22,166	2,450	* Cadence Design Systems Inc.	65,828	4,661	<b>Real Estate (3.0%)</b>		
Arconic Inc.	94,179	2,432	* Synopsys Inc.	35,465	4,564	American Tower Corp.	104,048	21,273
Jacobs Engineering Group Inc.	26,929	2,273	KLA-Tencor Corp.	38,108	4,504	Crown Castle International Corp.	98,017	12,777
Huntington Ingalls Industries Inc.	9,729	2,187	* ANSYS Inc.	19,883	4,072	Prologis Inc.	148,794	11,918
Snap-on Inc.	13,061	2,163	* Keysight Technologies Inc.	43,988	3,951	Simon Property Group Inc.	72,922	11,650
Fortune Brands Home & Security Inc.	33,033	1,887	Maxim Integrated Products Inc.	64,008	3,829	Equinix Inc.	19,807	9,988
Nielsen Holdings plc	83,401	1,885	NetApp Inc.	57,903	3,573	Public Storage	35,461	8,446
JB Hunt Transport Services Inc.	20,280	1,854	Broadridge Financial Solutions Inc.	27,535	3,516	Welltower Inc.	95,344	7,773
Alaska Air Group Inc.	28,714	1,835	DXC Technology Co.	62,839	3,466	AvalonBay Communities Inc.	32,822	6,669
Flowserve Corp.	30,753	1,620	* Gartner Inc.	21,332	3,433	Equity Residential	86,889	6,597
Robert Half International Inc.	27,751	1,582	Western Digital Corp.	69,505	3,305	* SBA Communications Corp. Class A	26,704	6,004
AO Smith Corp.	33,164	1,564	Arista Networks Inc.	12,481	3,240	Ventas Inc.	87,083	5,952
Pentair plc	36,874	1,372	Symantec Corp.	145,860	3,174	Digital Realty Trust Inc.	49,117	5,785
Quanta Services Inc.	33,302	1,272	Skyworks Solutions Inc.	40,710	3,146	Realty Income Corp.	74,182	5,116
Rollins Inc.	34,629	1,242	* Akamai Technologies Inc.	38,905	3,118	Boston Properties Inc.	36,303	4,683
		<b>539,488</b>	Citrix Systems Inc.	29,253	2,871	Weyerhaeuser Co.	175,226	4,615
<b>Information Technology (21.4%)</b>			Seagate Technology plc	59,906	2,823	Essex Property Trust Inc.	15,547	4,539
Microsoft Corp.	1,804,825	241,774	* Fortinet Inc.	34,108	2,620	* CBRE Group Inc. Class A	73,712	3,781
Apple Inc.	1,029,545	203,768	Jack Henry & Associates Inc.	18,187	2,436	Alexandria Real Estate Equities Inc.	26,769	3,777
Visa Inc. Class A	409,401	71,051	Juniper Networks Inc.	81,486	2,170	HCP Inc.	111,869	3,578
Mastercard Inc. Class A	211,771	56,020	Western Union Co.	102,078	2,030	Extra Space Storage Inc.	29,923	3,175
Cisco Systems Inc.	1,008,302	55,184	* F5 Networks Inc.	13,921	2,027	Host Hotels & Resorts Inc.	173,102	3,154
Intel Corp.	1,053,987	50,454	* Qorvo Inc.	27,768	1,850	Mid-America Apartment Communities Inc.	26,676	3,141
* Adobe Inc.	114,925	33,863	FLIR Systems Inc.	32,067	1,735	UDR Inc.	66,578	2,989
Oracle Corp.	571,407	32,553	Xerox Corp.	45,207	1,601	Duke Realty Corp.	84,181	2,661
* PayPal Holdings Inc.	276,680	31,669	Alliance Data Systems Corp.	10,756	1,507	Regency Centers Corp.	39,262	2,620
International Business Machines Corp.	208,821	28,796	* IPG Photonics Corp.	8,300	1,280	Vornado Realty Trust	40,517	2,597
* salesforce.com Inc.	182,922	27,755				Federal Realty Investment Trust	17,846	2,298
Accenture plc Class A	150,148	27,743	<b>Materials (2.8%)</b>			Iron Mountain Inc.	66,983	2,097
Broadcom Inc.	93,233	26,838	Linde plc	127,865	25,675	Kimco Realty Corp.	98,912	1,828
Texas Instruments Inc.	220,950	25,356	DuPont de Nemours Inc.	176,290	13,234	Apartment Investment & Management Co.	35,340	1,771
NVIDIA Corp.	143,479	23,564	Ecolab Inc.	59,791	11,805	SL Green Realty Corp.	20,230	1,626
QUALCOMM Inc.	286,351	21,783	Air Products & Chemicals Inc.	51,899	11,748	Macerich Co.	24,990	837
Automatic Data Processing Inc.	102,523	16,950	Sherwin-Williams Co.	19,162	8,782			
Intuit Inc.	61,066	15,958	Dow Inc.	176,171	8,687	<b>Utilities (3.3%)</b>		
* Micron Technology Inc.	260,938	10,070	Newmont Goldcorp Corp.	193,341	7,438	NextEra Energy Inc.	112,722	23,092
Applied Materials Inc.	220,627	9,908	PPG Industries Inc.	55,785	6,511	Duke Energy Corp.	171,396	15,124
Analog Devices Inc.	87,113	9,832	LyondellBasell Industries NV Class A	71,329	6,144	Dominion Energy Inc.	188,975	14,612
Fidelity National Information Services Inc.	76,335	9,365	Ball Corp.	78,370	5,485	Southern Co.	245,100	13,549
Cognizant Technology Solutions Corp. Class A	133,839	8,484	* Corteva Inc.	176,022	5,205	Exelon Corp.	228,681	10,963
* Fiserv Inc.	92,634	8,444	Amcor plc	380,540	4,372	American Electric Power Co. Inc.	116,408	10,245
* Autodesk Inc.	51,779	8,435	Vulcan Materials Co.	30,974	4,253	Sempra Energy	64,756	8,900
* Red Hat Inc.	41,826	7,853	International Paper Co.	94,088	4,076	Xcel Energy Inc.	121,306	7,216
TE Connectivity Ltd.	79,585	7,623	Freeport-McMoRan Inc.	344,318	3,998	Public Service Enterprise Group Inc.	119,359	7,021
HP Inc.	354,992	7,380	Nucor Corp.	71,666	3,949	Consolidated Edison Inc.	77,205	6,769
Xilinx Inc.	60,034	7,079	International Flavors & Fragrances Inc.	23,781	3,450	WEC Energy Group Inc.	74,058	6,174
			Martin Marietta Materials Inc.	14,650	3,371	Eversource Energy	75,653	5,731
			Celanese Corp. Class A	30,038	3,238	DTE Energy Co.	43,190	5,523
						PPL Corp.	170,707	5,294
						Edison International	76,490	5,156
						FirstEnergy Corp.	119,254	5,105

Equity Index Portfolio

	Shares	Market Value* (\$000)
American Water Works Co. Inc.	42,414	4,920
Entergy Corp.	45,008	4,633
Ameren Corp.	58,070	4,362
CMS Energy Corp.	66,614	3,858
Evergy Inc.	57,636	3,467
CenterPoint Energy Inc.	117,410	3,361
Atmos Energy Corp.	27,448	2,897
Alliant Energy Corp.	55,395	2,719
AES Corp.	155,525	2,607
NiSource Inc.	87,386	2,517
Pinnacle West Capital Corp.	26,328	2,477
NRG Energy Inc.	63,230	2,221
		<b>190,513</b>
<b>Total Common Stocks</b> (Cost \$3,543,739)		<b>5,755,104</b>
<b>Temporary Cash Investments (0.4%)<sup>1</sup></b>		
<b>Money Market Fund (0.4%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.499%	252,255	25,230
	Face Amount (\$000)	
<b>U.S. Government and Agency Obligations (0.0%)</b>		
<sup>4</sup> United States Treasury Bill, 2.386%, 7/5/19	200	200
<sup>4</sup> United States Treasury Bill, 2.385%, 8/1/19	1,000	998
United States Treasury Bill, 2.048%, 11/21/19	200	199
		<b>1,397</b>
<b>Total Temporary Cash Investments</b> (Cost \$26,627)		<b>26,627</b>
<b>Total Investments (100.0%)</b> (Cost \$3,570,366)		<b>5,781,731</b>

	Amount (\$000)
<b>Other Assets and Liabilities (0.0%)</b>	
<b>Other Assets</b>	
Investment in Vanguard	272
Receivables for Investment Securities Sold	76
Receivables for Accrued Income	4,784
Receivables for Capital Shares Issued	649
Variation Margin Receivable—Futures Contracts	116
Other Assets <sup>5</sup>	58
<b>Total Other Assets</b>	<b>5,955</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	(2,451)
Collateral for Securities on Loan	(530)
Payables for Capital Shares Redeemed	(3,279)
Payables to Vanguard	(1,917)
<b>Total Liabilities</b>	<b>(8,177)</b>
<b>Net Assets (100%)</b>	
Applicable to 134,310,992 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)	5,779,509
<b>Net Asset Value Per Share</b>	<b>\$43.03</b>

At June 30, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	3,462,261
Total Distributable Earnings (Loss)	2,317,248
<b>Net Assets</b>	<b>5,779,509</b>

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

<sup>^</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$515,000.

<sup>1</sup> The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.0% and 0.0%, respectively, of net assets.

<sup>2</sup> Includes \$530,000 of collateral received for securities on loan.

<sup>3</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

<sup>4</sup> Securities with a value of \$1,198,000 have been segregated as initial margin for open futures contracts.

<sup>5</sup> Cash of \$49,000 has been segregated as initial margin for open futures contracts.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation) (\$000)
<b>Long Futures Contracts</b>				
E-mini S&P 500 Index	September 2019	175	25,762	342

## Statement of Operations

	Six Months Ended June 30, 2019
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	54,847
Interest <sup>1</sup>	260
Securities Lending—Net	79
Total Income	55,186
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	672
Management and Administrative	2,880
Marketing and Distribution	225
Custodian Fees	20
Shareholders' Reports	14
Trustees' Fees and Expenses	1
Total Expenses	3,812
<b>Net Investment Income</b>	<b>51,374</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	59,836
Futures Contracts	3,242
<b>Realized Net Gain (Loss)</b>	<b>63,078</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	791,592
Futures Contracts	42
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>791,634</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>906,086</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$241,000, (\$1,000), and (\$1,000), respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	51,374	103,632
Realized Net Gain (Loss)	63,078	138,799
Change in Unrealized Appreciation (Depreciation)	791,634	(473,810)
Net Increase (Decrease) in Net Assets Resulting from Operations	906,086	(231,379)
<b>Distributions</b>		
Net Investment Income	(107,141)	(88,315)
Realized Capital Gain <sup>1</sup>	(140,285)	(85,966)
Total Distributions	(247,426)	(174,281)
<b>Capital Share Transactions</b>		
Issued	270,309	560,449
Issued in Lieu of Cash Distributions	247,426	174,281
Redeemed	(330,556)	(573,178)
Net Increase (Decrease) from Capital Share Transactions	187,179	161,552
Total Increase (Decrease)	845,839	(244,108)
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>4,933,670</b>	<b>5,177,778</b>
<b>End of Period</b>	<b>5,779,509</b>	<b>4,933,670</b>

<sup>1</sup> Includes fiscal 2019 and 2018 short-term gain distributions totaling \$347,000 and \$2,110,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$38.03</b>	<b>\$41.17</b>	<b>\$35.63</b>	<b>\$33.25</b>	<b>\$34.44</b>	<b>\$31.50</b>
<b>Investment Operations</b>						
Net Investment Income	.389 <sup>1</sup>	.804 <sup>1</sup>	.699 <sup>1</sup>	.704	.759 <sup>2</sup>	.587
Net Realized and Unrealized Gain (Loss) on Investments	6.537	(2.556)	6.734	3.055	(.338)	3.522
Total from Investment Operations	6.926	(1.752)	7.433	3.759	.421	4.109
<b>Distributions</b>						
Dividends from Net Investment Income	(.834)	(.703)	(.699)	(.759)	(.569)	(.555)
Distributions from Realized Capital Gains	(1.092)	(.685)	(1.194)	(.620)	(1.042)	(.614)
Total Distributions	(1.926)	(1.388)	(1.893)	(1.379)	(1.611)	(1.169)
<b>Net Asset Value, End of Period</b>	<b>\$43.03</b>	<b>\$38.03</b>	<b>\$41.17</b>	<b>\$35.63</b>	<b>\$33.25</b>	<b>\$34.44</b>
<b>Total Return</b>	<b>18.45%</b>	<b>-4.51%</b>	<b>21.66%</b>	<b>11.81%</b>	<b>1.27%</b>	<b>13.51%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$5,780	\$4,934	\$5,178	\$4,329	\$3,985	\$3,784
Ratio of Total Expenses to Average Net Assets	0.14%	0.14%	0.15%	0.15%	0.15%	0.16%
Ratio of Net Investment Income to Average Net Assets	1.89%	1.94%	1.85%	2.08%	2.31% <sup>2</sup>	1.88%
Portfolio Turnover Rate	4%	5%	5%	7%	4%	7%

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

<sup>1</sup> Calculated based on average shares outstanding.

<sup>2</sup> Net investment income per share and the ratio of net investment income to average net assets include \$.13 and 0.35%, respectively, resulting from a special dividend from Medtronic plc in January 2015.

## Notes to Financial Statements

The Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The portfolio consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

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

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

During the six months ended June 30, 2019, the portfolio's average investments in long and short futures contracts represented less than 1% and 0%, respectively, of net assets, based on the average of the notional amounts at each quarter-end during the period.

3. **Federal Income Taxes:** The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2015–2018), and for the period ended June 30, 2019, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

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

5. **Securities Lending:** To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net

amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group (“Vanguard”) participate in a \$4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio’s regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio’s board of trustees and included in Management and Administrative expenses on the portfolio’s Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2019, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds’ Service Agreement (the “FSA”) between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard’s cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio’s liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2019, the portfolio had contributed to Vanguard capital in the amount of \$272,000, representing 0.00% of the portfolio’s net assets and 0.11% of Vanguard’s capitalization. The portfolio’s trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio’s investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

**Level 1**—Quoted prices in active markets for identical securities.

**Level 2**—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

**Level 3**—Significant unobservable inputs (including the portfolio’s own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the portfolio’s investments as of June 30, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	5,755,104	—	—
Temporary Cash Investments	25,230	1,397	—
Futures Contracts—Assets <sup>1</sup>	116	—	—
Total	5,780,450	1,397	—

<sup>1</sup> Represents variation margin on the last day of the reporting period.

D. As of June 30, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	3,570,366
Gross Unrealized Appreciation	2,563,881
Gross Unrealized Depreciation	(352,174)
Net Unrealized Appreciation (Depreciation)	2,211,707

E. During the six months ended June 30, 2019, the portfolio purchased \$116,114,000 of investment securities and sold \$118,942,000 of investment securities, other than temporary cash investments.

The portfolio purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended June 30, 2019, such purchases and sales were \$11,978,000 and \$6,947,000, respectively; these amounts are included in the purchases and sales of investment securities noted above.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
	Shares (000)	Shares (000)
Issued	6,491	13,586
Issued in Lieu of Cash Distributions	6,019	4,242
Redeemed	(7,944)	(13,844)
Net Increase (Decrease) in Shares Outstanding	4,566	3,984

At June 30, 2019, two shareholders (an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Total Stock Market Index Portfolio), were each the record or beneficial owner of 25% or more of the portfolio's net assets, with a combined ownership of 67%. If any of these shareholders were to redeem their investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2019, that would require recognition or disclosure in these financial statements.

## Trustees Approve Advisory Arrangement

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

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

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

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

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

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

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

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

### **Investment performance**

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

### **Cost**

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

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

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

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

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

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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [sec.gov](http://sec.gov).

In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or [sec.gov](http://sec.gov).

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