

**Annual Report** | December 31, 2020

# Vanguard Variable Insurance Funds

High Yield Bond Portfolio

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## Your Portfolio's Performance at a Glance

- For the 12 months ended December 31, 2020, the High Yield Bond Portfolio returned 5.67%, lagging the 7.53% return of its benchmark, the High-Yield Corporate Composite Index.
- The year was defined by the COVID-19 pandemic and efforts to contain it. Travel restrictions, supply-chain disruptions, business closures, and a spike in unemployment led swiftly to deep recessions around the world. In response, many governments were quick to provide fiscal stimulus in the form of spending, loans, loan guarantees, job retention programs, and extended unemployment benefits. Central banks in developed markets rapidly cut interest rates, restarted or expanded asset purchases, and provided additional liquidity. They also pledged to remain vigilant and take more actions if needed.
- U.S. Treasuries returned 8.00%, as represented by the Bloomberg Barclays U.S. Treasury Index. Mortgage-backed securities returned less, but corporate bonds fared better, returning 9.89%, as represented by the Bloomberg Barclays U.S. Corporate Bond Index. Lower-rated investment-grade bonds bested higher-rated ones, and longer-dated bonds significantly outperformed shorter-dated ones. The spread between corporate yields and Treasury yields tightened.
- Within the high-yield market, however, the spread widened. Higher-quality bonds generally outperformed those of lower quality. Among corporates, high-yield bonds issued by utilities bested those issued by financial and industrial companies.
- For the 10 years ended December 31, 2020, the portfolio posted an average annual return of 6.38%. Its benchmark index recorded an average annual return of 6.57%.
- Please note that the portfolio's returns are different from those in Vanguard Variable Annuity (and other plans that invest in the portfolio), which take into account insurance-related expenses.

### Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2020		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	20.96%	14.82%	15.60%
Russell 2000 Index (Small-caps)	19.96	10.25	13.26
Russell 3000 Index (Broad U.S. market)	20.89	14.49	15.43
FTSE All-World ex US Index (International)	11.22	5.18	9.16
<b>Bonds</b>			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	7.51%	5.34%	4.44%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	5.21	4.64	3.91
FTSE Three-Month U.S. Treasury Bill Index	0.58	1.56	1.16
<b>CPI</b>			
Consumer Price Index	1.36%	1.85%	1.95%

# Advisor's Report

## The investment environment

For the 12 months ended December 31, 2020, the High Yield Bond Portfolio returned 5.67%, compared with the benchmark return of 7.53%. Please note that the portfolio's returns are different from those in Vanguard Variable Annuity (and other plans that invest in the portfolio), which take into account insurance-related expenses.

The benefits of coupon income and decreasing interest rates offset the impact of wider credit spreads. Sovereign yields declined to record lows in several developed markets, a result of global recession fears caused by the COVID-19 pandemic.

High-yield bond spreads widened sharply in March over expectations that the decline in economic activity and supply-chain disruptions would cause credit fundamentals to deteriorate. The spreads subsequently tightened, however, reducing most of that widening by the end of the year.

Global central banks and governments deployed extraordinary monetary and fiscal stimulus during the year to support businesses and consumers. The Federal Reserve cut short-term interest rates to a range of 0%–0.25% and increased the size and scope of its asset purchase program. The European Central Bank launched its own massive asset purchase program, which included nonfinancial commercial paper for the first time, and eased collateral rules.

The 10-year U.S. Treasury yield fell to 0.91% at the end of December 2020 from 1.92% at the end of December 2019. Because bond yields and prices move in opposite directions, bond prices rose. The spread of the high-yield market widened to 360 basis points over Treasuries as of December 31, 2020, from 336 basis points at the end of 2019. The average price of high-yield bonds increased \$4, to \$105.

There was notable dispersion in performance by credit quality over the year as the high-yield market generally rewarded higher-quality credits, given their greater sensitivity to changes in interest rates. The highest-rated BB bonds led, returning 10.17%, according to Bloomberg Barclays High Yield Index data, while CCC-rated bonds lagged, with a 2.27% return. B-rated bonds returned 4.59%.

Our medium- to long-term macroeconomic outlook is optimistic. We expect fiscal and monetary stimulus, as well as vaccine distribution, to support the economic recovery. While we anticipate a strong rebound in the second half of 2021, we expect a difficult short-term environment because of spiking COVID-19 cases across the U.S. and disappointing initial vaccine distribution.

Although still above average, the high-yield default rate has fallen materially on the back of massive monetary and fiscal stimulus, along with wide-open capital markets. We expect defaults will continue to trend lower during 2021. Much of the "COVID discount" from last year has been narrowed, but pockets of opportunity remain. In sectors directly affected by COVID-19, security selection is key.

We expect some business models to fail because of permanent secular and/or behavioral changes, while others can adjust if capital markets give them adequate time and liquidity. We believe demand is likely to stay strong for the foreseeable future, as global interest rates stay low and aging demographic cohorts continue to seek higher yields.

Our near-term view of the high-yield market remains cautious. We believe that maintaining a slightly defensive risk posture, with an intense focus on security selection, is warranted amid spiking COVID-19 numbers, the U.S. political transition, the waning effects of government stimulus, and the fact that credit spreads tightened from last year.

Our longer-term outlook is more positive, however. We see plenty of reasons to be optimistic as we look nine to 12 months out from now. While bouts of volatility may persist, we continue to take a long-term, issuer-specific approach to finding opportunities in this market.

## The portfolio's shortfalls

Positioning and security selection in the energy and financial institutions sectors detracted from relative returns. Credit selection in the food and beverage segment also hurt relative performance.

## The portfolio's successes

The portfolio benefited from positioning and positive credit selection in the transportation sector, as well as credit selection in the pharmaceuticals sector. An underweight to government securities also helped relative performance.

## The portfolio's positioning

The portfolio remains consistent in its investment objective and strategy and maintains meaningful exposure to relatively higher-quality names in the high-yield market. We believe these companies have more stable credit profiles and greater predictability of cash flows than those at the lower end of the quality spectrum.

We lean toward higher-quality credits in an effort to minimize defaults and provide stable income. We continue to diversify the portfolio's holdings by issuer and industry. We also continue to deemphasize non-cash-paying securities, preferred stocks, and equity-linked securities, such as convertibles, because of their potential for volatility.

Michael L. Hong, CFA,  
Senior Managing Director and Fixed  
Income Portfolio Manager

Wellington Management Company LLP

January 21, 2021

## 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 December 31, 2020

High Yield Bond Portfolio	Beginning Account Value 6/30/2020	Ending Account Value 12/31/2020	Expenses Paid During Period
Based on Actual Portfolio Return	\$1,000.00	\$1,091.40	\$1.37
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.83	1.32

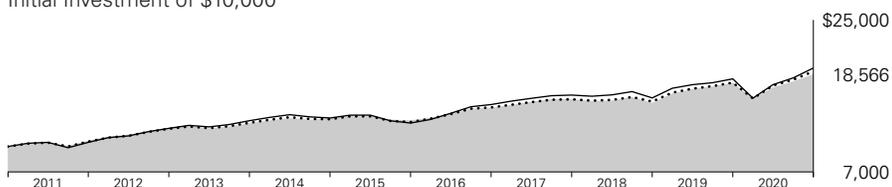
The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.26%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/366).

# High Yield Bond Portfolio

## Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](http://vanguard.com/performance).) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

Cumulative Performance: December 31, 2010, Through December 31, 2020  
Initial Investment of \$10,000



Average Annual Total Returns  
Periods Ended December 31, 2020

	One Year	Five Years	Ten Years	Final Value of a \$10,000 Investment
High Yield Bond Portfolio	5.67%	7.22%	6.38%	\$18,566
High-Yield Corporate Composite Index	7.53	7.93	6.57	18,899
Bloomberg Barclays U.S. Corporate High Yield Bond Index	7.11	8.59	6.80	19,304

High-Yield Corporate Composite Index: Weighted 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg Barclays U.S. 1-5 Year Treasury Bond Index.

## Portfolio Allocation

As of December 31, 2020

Communications	20.4%
Consumer Discretionary	14.0
Consumer Staples	4.5
Energy	8.7
Financials	8.5
Health Care	10.7
Industrials	7.3
Materials	11.5
Real Estate	0.9
Technology	11.8
Utilities	1.5
Other	0.2

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

## Financial Statements

## Schedule of Investments

As of December 31, 2020

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).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>Corporate Bonds (94.8%)</b>									
<b>Communications (19.3%)</b>									
<sup>1,2</sup> Altice Financing SA	2.250%	1/15/25	490	578					
<sup>2</sup> Altice Financing SA	3.000%	1/15/28	1,250	1,470					
<sup>1,2</sup> Altice Financing SA	3.000%	1/15/28	1,260	1,482					
<sup>1</sup> Altice Financing SA	5.000%	1/15/28	1,720	1,754					
<sup>1,2</sup> Altice France SA	2.125%	2/15/25	585	689					
<sup>1</sup> Altice France SA	7.375%	5/1/26	4,025	4,236					
<sup>1</sup> Altice France SA	5.500%	1/15/28	1,700	1,768					
Belo Corp.	7.750%	6/1/27	920	1,068					
Belo Corp.	7.250%	9/15/27	667	765					
<sup>1</sup> CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	775	801					
<sup>1</sup> CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,630	1,691					
<sup>1</sup> CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	445	463					
<sup>1</sup> CCO Holdings LLC / CCO Holdings Capital Corp.	5.000%	2/1/28	320	338					
<sup>1</sup> CCO Holdings LLC / CCO Holdings Capital Corp.	4.500%	8/15/30	2,530	2,694					
<sup>1</sup> CCO Holdings LLC / CCO Holdings Capital Corp.	4.250%	2/1/31	2,055	2,165					
<sup>1</sup> CCO Holdings LLC / CCO Holdings Capital Corp.	4.500%	5/1/32	3,161	3,374					
CenturyLink Inc.	6.750%	12/1/23	755	837					
CenturyLink Inc.	7.500%	4/1/24	557	624					
Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	891	1,259					
Charter Communications Operating LLC / Charter Communications Operating Capital	5.375%	5/1/47	500	623					
Charter Communications Operating LLC / Charter Communications Operating Capital	5.125%	7/1/49	600	730					
<sup>1</sup> CSC Holdings LLC	5.500%	5/15/26	3,890	4,036					
<sup>1</sup> CSC Holdings LLC	5.500%	4/15/27	2,610	2,767					
<sup>1</sup> CSC Holdings LLC	6.500%	2/1/29	1,025	1,154					
<sup>1</sup> CSC Holdings LLC	4.125%	12/1/30	6,305	6,573					
<sup>1</sup> CSC Holdings LLC	3.375%	2/15/31	1,935	1,908					
DISH DBS Corp.	6.750%	6/1/21	1,935	1,969					
DISH DBS Corp.	5.875%	7/15/22	3,746	3,910					
DISH DBS Corp.	5.000%	3/15/23	1,384	1,431					
DISH DBS Corp.	5.875%	11/15/24	2,405	2,516					
DISH DBS Corp.	7.750%	7/1/26	3,685	4,118					
DISH DBS Corp.	7.375%	7/1/28	4,005	4,265					
Embarq Corp.	7.995%	6/1/36	720	884					
<sup>1</sup> Frontier Communications Corp.	5.875%	10/15/27	810	876					
<sup>1</sup> Frontier Communications Corp.	5.000%	5/1/28	2,645	2,757					
<sup>1</sup> Frontier Communications Corp.	6.750%	5/1/29	1,680	1,798					
<sup>1</sup> Gray Television Inc.	5.875%	7/15/26	2,280	2,383					
<sup>1</sup> Gray Television Inc.	7.000%	5/15/27	715	783					
<sup>1</sup> Gray Television Inc.	4.750%	10/15/30	970	987					
Lamar Media Corp.	3.750%	2/15/28	1,770	1,819					
Lamar Media Corp.	4.000%	2/15/30	1,920	1,992					
<sup>1,2</sup> Lorca Telecom Bondco SA	4.000%	9/18/27	760	975					
<sup>1</sup> Netflix Inc.	3.625%	6/15/25	335	356					
Netflix Inc.	4.375%	11/15/26	3,405	3,762					
Netflix Inc.	5.875%	11/15/28	140	167					
<sup>1</sup> Outfront Media Capital LLC / Outfront Media Capital Corp.	5.000%	8/15/27	439	451					
<sup>1</sup> Outfront Media Capital LLC / Outfront Media Capital Corp.	4.625%	3/15/30	1,882	1,917					
Quebecor Media Inc.	5.750%	1/15/23	2,810	3,031					
<sup>1</sup> Scripps Escrow II Inc.	3.875%	1/15/29	1,835	1,913					
<sup>1</sup> Scripps Escrow II Inc.	5.375%	1/15/31	250	262					
<sup>1</sup> Sirius XM Radio Inc.	4.625%	7/15/24	1,640	1,697					
<sup>1</sup> Sirius XM Radio Inc.	5.375%	7/15/26	300	313					
<sup>1</sup> Sirius XM Radio Inc.	4.125%	7/1/30	3,845	4,085					
Sprint Capital Corp.	6.875%	11/15/28	915	1,207					
Sprint Capital Corp.	8.750%	3/15/32	720	1,136					
Sprint Corp.	7.875%	9/15/23	6,974	8,072					
Sprint Corp.	7.125%	6/15/24	2,101	2,453					
Sprint Corp.	7.625%	2/15/25	1,595	1,906					
Telecom Italia Capital SA	6.375%	11/15/33	381	467					
Telecom Italia Capital SA	6.000%	9/30/34	1,085	1,316					
Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,773					
<sup>1</sup> Telecom Italia SPA	5.303%	5/30/24	445	484					
<sup>1</sup> Telenet Finance Luxembourg Notes Sarl	5.500%	3/1/28	4,000	4,248					
Time Warner Cable LLC	5.875%	11/15/40	60	79					
Time Warner Cable LLC	5.500%	9/1/41	1,223	1,574					
T-Mobile USA Inc.	6.500%	1/15/26	690	712					
T-Mobile USA Inc.	4.500%	2/1/26	260	266					
T-Mobile USA Inc.	5.375%	4/15/27	3,510	3,760					
<sup>1</sup> UPC Holding BV	5.500%	1/15/28	2,100	2,208					
ViacomCBS Inc.	5.875%	2/28/57	2,560	2,650					
ViacomCBS Inc.	6.250%	2/28/57	944	1,058					
Videotron Ltd.	5.000%	7/15/22	2,972	3,121					
<sup>1</sup> Videotron Ltd.	5.375%	6/15/24	260	286					
<sup>1</sup> Videotron Ltd.	5.125%	4/15/27	1,750	1,855					
<sup>1</sup> Virgin Media Secured Finance plc	5.500%	8/15/26	940	978					
<sup>1</sup> Virgin Media Secured Finance plc	5.500%	5/15/29	1,510	1,631					
<sup>1</sup> Virgin Media Secured Finance plc	4.500%	8/15/30	1,190	1,244					
<sup>1,3</sup> Virgin Media Vendor Financing Notes III DAC	4.875%	7/15/28	1,090	1,522					
<sup>1</sup> Virgin Media Vendor Financing Notes IV DAC	5.000%	7/15/28	1,075	1,113					
<sup>1</sup> Vmed O2 UK Financing I plc	4.250%	1/31/31	3,140	3,203					
<sup>1</sup> VTR Comunicaciones SPA	5.125%	1/15/28	630	673					
<sup>1</sup> VTR Finance NV	6.375%	7/15/28	255	278					
<sup>1</sup> WMG Acquisition Corp.	5.500%	4/15/26	2,651	2,747					
<sup>1,2</sup> WMG Acquisition Corp.	3.625%	10/15/26	220	278					
<sup>1,2</sup> WMG Acquisition Corp.	2.750%	7/15/28	520	653					
<sup>1</sup> WMG Acquisition Corp.	3.875%	7/15/30	1,915	2,030					
<sup>1</sup> WMG Acquisition Corp.	3.000%	2/15/31	2,540	2,489					
<sup>1</sup> Ziggo BV	5.500%	1/15/27	1,695	1,778					
<sup>1</sup> Ziggo BV	4.875%	1/15/30	2,299	2,414					
									<b>160,926</b>

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		
<b>Consumer Discretionary (13.3%)</b>											
<sup>1</sup>					<sup>1</sup>	Hanesbrands Inc.	4.625%	5/15/24	730	766	
<sup>1</sup>	1011778 BC ULC / New Red Finance Inc.	4.250%	5/15/24	2,059	2,100	<sup>1</sup>	Hanesbrands Inc.	5.375%	5/15/25	615	652
<sup>1</sup>	1011778 BC ULC / New Red Finance Inc.	3.875%	1/15/28	1,185	1,206	<sup>1</sup>	Hanesbrands Inc.	4.875%	5/15/26	2,974	3,227
<sup>1</sup>	1011778 BC ULC / New Red Finance Inc.	4.375%	1/15/28	1,500	1,547	<sup>4,5,6</sup>	IRB Holding Corp.	1.000%	12/15/27	2,800	2,796
<sup>1</sup>	1011778 BC ULC / New Red Finance Inc.	3.500%	2/15/29	1,370	1,370	<sup>1</sup>	Jacobs Entertainment Inc.	7.875%	2/1/24	600	616
<sup>1</sup>	1011778 BC ULC / New Red Finance Inc.	4.000%	10/15/30	3,325	3,350	<sup>1</sup>	JELD-WEN Inc.	4.625%	12/15/25	345	353
<sup>1</sup>	Adient Global Holdings Ltd.	4.875%	8/15/26	1,090	1,115	<sup>1</sup>	JELD-WEN Inc.	4.875%	12/15/27	395	421
<sup>1</sup>	Adient US LLC	7.000%	5/15/26	540	585	<sup>1</sup>	KAR Auction Services Inc.	5.125%	6/1/25	1,819	1,867
<sup>1</sup>	American Builders & Contractors Supply Co. Inc.	5.875%	5/15/26	820	852	<sup>1</sup>	KB Home	7.000%	12/15/21	215	223
<sup>1</sup>	American Builders & Contractors Supply Co. Inc.	4.000%	1/15/28	2,226	2,312	<sup>1</sup>	KB Home	7.500%	9/15/22	215	235
	Asbury Automotive Group Inc.	4.500%	3/1/28	505	526	<sup>1</sup>	KB Home	7.625%	5/15/23	1,300	1,433
	Asbury Automotive Group Inc.	4.750%	3/1/30	489	521	<sup>1</sup>	KB Home	4.800%	11/15/29	370	407
<sup>4,5</sup>	Bass Pro Group LLC Bank Loan, 3M USD LIBOR + 5.000%	5.750%	1/29/21	1,872	1,875	<sup>1</sup>	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	872	905
	Boyd Gaming Corp.	6.000%	8/15/26	100	104	<sup>1</sup>	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.750%	6/1/27	1,010	1,066
	Boyd Gaming Corp.	4.750%	12/1/27	3,725	3,869	<sup>1</sup>	L Brands Inc.	6.875%	7/1/25	765	830
<sup>1</sup>	Caesars Entertainment Inc.	6.250%	7/1/25	1,810	1,928	<sup>1</sup>	L Brands Inc.	6.625%	10/1/30	2,130	2,354
<sup>1</sup>	Caesars Entertainment Inc.	8.125%	7/1/27	1,810	2,002		Lennar Corp.	4.125%	1/15/22	685	703
<sup>1</sup>	Caesars Resort Collection LLC / CRC Finco Inc.	5.750%	7/1/25	610	644		Lennar Corp.	4.500%	4/30/24	1,965	2,179
<sup>1</sup>	Caesars Resort Collection LLC / CRC Finco Inc.	5.250%	10/15/25	4,754	4,802		Lennar Corp.	5.875%	11/15/24	490	568
	Cedar Fair LP	5.250%	7/15/29	1,645	1,690		Lennar Corp.	5.250%	6/1/26	270	320
	Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp.	5.375%	6/1/24	535	539		Lennar Corp.	5.000%	6/15/27	1,245	1,472
	Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp. / Millennium Op	5.375%	4/15/27	775	794		Lennar Corp.	4.750%	11/29/27	1,085	1,282
<sup>1,2</sup>	Cirsa Finance International Sarl	6.250%	12/20/23	1,460	1,776	<sup>1</sup>	Lithia Motors Inc.	5.250%	8/1/25	171	178
<sup>1</sup>	Cirsa Finance International Sarl	7.875%	12/20/23	1,523	1,538	<sup>1</sup>	Lithia Motors Inc.	4.625%	12/15/27	1,945	2,057
<sup>1</sup>	Clarios Global LP / Clarios US Finance Co.	6.250%	5/15/26	358	384	<sup>1</sup>	Lithia Motors Inc.	4.375%	1/15/31	870	931
<sup>1</sup>	Clarios Global LP / Clarios US Finance Co.	8.500%	5/15/27	804	872		Macy's Retail Holdings LLC	2.875%	2/15/23	41	39
<sup>4,5</sup>	Clarios Global LP Bank Loan, 3M USD LIBOR + 3.500%	3.647%	1/29/21	1,052	1,047		Macy's Retail Holdings LLC	3.625%	6/1/24	254	244
	Ford Motor Credit Co. LLC	3.336%	3/18/21	907	908		Macy's Retail Holdings LLC	4.500%	12/15/34	150	115
	Ford Motor Credit Co. LLC	3.470%	4/5/21	400	400		Macy's Retail Holdings LLC	5.125%	1/15/42	132	101
	Ford Motor Credit Co. LLC	5.875%	8/2/21	1,332	1,360		Macy's Retail Holdings LLC	4.300%	2/15/43	585	422
	Ford Motor Credit Co. LLC	3.813%	10/12/21	580	587	<sup>1</sup>	Mattel Inc.	6.750%	12/31/25	835	878
	Ford Motor Credit Co. LLC	3.219%	1/9/22	210	212	<sup>1</sup>	Mattel Inc.	5.875%	12/15/27	1,910	2,120
	Ford Motor Credit Co. LLC	3.339%	3/28/22	200	202		MGM Resorts International	6.000%	3/15/23	680	724
	Ford Motor Credit Co. LLC	2.979%	8/3/22	250	254		MGM Resorts International	5.750%	6/15/25	985	1,086
	Ford Motor Credit Co. LLC	4.250%	9/20/22	420	433	<sup>1</sup>	Michaels Stores Inc.	4.750%	10/1/27	1,790	1,839
	Ford Motor Credit Co. LLC	3.350%	11/1/22	200	203	<sup>1</sup>	PetSmart Inc.	5.875%	6/1/25	1,930	1,978
	Ford Motor Credit Co. LLC	3.087%	1/9/23	325	328		PulteGroup Inc.	5.500%	3/1/26	2,015	2,395
<sup>5</sup>	Ford Motor Credit Co. LLC, 3M USD LIBOR + 1.080%	1.296%	8/3/22	200	195		PulteGroup Inc.	5.000%	1/15/27	130	153
<sup>5</sup>	Ford Motor Credit Co. LLC, 3M USD LIBOR + 1.235%	1.456%	2/15/23	255	245	<sup>1</sup>	PVH Corp.	4.625%	7/10/25	1,135	1,274
<sup>1</sup>	Group 1 Automotive Inc.	4.000%	8/15/28	125	128	<sup>1</sup>	Scientific Games International Inc.	7.000%	5/15/28	525	563
							Service Corp. International	8.000%	11/15/21	1,225	1,292
							Service Corp. International	4.625%	12/15/27	505	538
							Service Corp. International	5.125%	6/1/29	2,105	2,331
							Service Corp. International	3.375%	8/15/30	650	673
						<sup>1</sup>	Speedway Motorsports LLC / Speedway Funding II Inc.	4.875%	11/1/27	600	596
						<sup>1</sup>	Taylor Morrison Communities Inc.	5.875%	6/15/27	750	848
						<sup>1</sup>	Taylor Morrison Communities Inc.	5.125%	8/1/30	1,075	1,204
							Toll Brothers Finance Corp.	4.875%	11/15/25	295	332
							Toll Brothers Finance Corp.	4.875%	3/15/27	1,955	2,234
							Toll Brothers Finance Corp.	3.800%	11/1/29	3,661	3,975
							Under Armour Inc.	3.250%	6/15/26	2,310	2,310
						<sup>1</sup>	William Carter Co.	5.500%	5/15/25	280	298
						<sup>1</sup>	William Carter Co.	5.625%	3/15/27	404	425
						<sup>1</sup>	WW International Inc.	8.625%	12/1/25	735	762
						<sup>1</sup>	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.500%	3/1/25	1,530	1,597
						<sup>1</sup>	Yum! Brands Inc.	7.750%	4/1/25	1,150	1,274
						<sup>1</sup>	Yum! Brands Inc.	4.750%	1/15/30	910	998
							Yum! Brands Inc.	3.625%	3/15/31	2,295	2,318
										110,580	





High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		
<b>Industrials (6.9%)</b>											
<sup>1</sup>	Aramark Services Inc.	5.000%	4/1/25	1,935	1,983	<sup>2</sup>	Ball Corp.	4.875%	3/15/26	1,100	1,240
	Aramark Services Inc.	4.750%	6/1/26	646	665	<sup>1</sup>	Ball Corp.	1.500%	3/15/27	2,105	2,641
<sup>1</sup>	Aramark Services Inc.	5.000%	2/1/28	980	1,033	<sup>1</sup>	Berry Global Inc.	4.500%	2/15/26	1,655	1,692
<sup>1</sup>	Ashtead Capital Inc.	4.125%	8/15/25	1,325	1,361	<sup>1</sup>	Berry Global Inc.	4.875%	7/15/26	2,120	2,274
<sup>1</sup>	Ashtead Capital Inc.	4.375%	8/15/27	1,545	1,634	<sup>1</sup>	Berry Global Inc.	5.625%	7/15/27	215	231
<sup>1</sup>	Bombardier Inc.	8.750%	12/1/21	290	300	<sup>1</sup>	Cemex SAB de CV	7.750%	4/16/26	735	775
<sup>1</sup>	Bombardier Inc.	5.750%	3/15/22	425	434		Cemex SAB de CV	7.375%	6/5/27	565	642
<sup>1</sup>	Bombardier Inc.	6.125%	1/15/23	1,648	1,615	<sup>1,2</sup>	Cemex SAB de CV	5.450%	11/19/29	590	648
<sup>1</sup>	Bombardier Inc.	7.500%	12/1/24	230	219		CeramTec BondCo GmbH	5.250%	12/15/25	425	530
<sup>1</sup>	Bombardier Inc.	7.500%	3/15/25	702	655		CF Industries Inc.	4.950%	6/1/43	311	381
<sup>1</sup>	Bombardier Inc.	7.875%	4/15/27	1,135	1,041		CF Industries Inc.	5.375%	3/15/44	596	749
<sup>1</sup>	Brand Industrial Services Inc.	8.500%	7/15/25	3,262	3,311		Chemours Co.	7.000%	5/15/25	3,115	3,228
<sup>1</sup>	BVX Technologies Inc.	4.125%	6/30/28	1,008	1,050		Chemours Co.	5.375%	5/15/27	930	986
<sup>1</sup>	Clean Harbors Inc.	4.875%	7/15/27	1,238	1,303	<sup>1</sup>	Commercial Metals Co.	5.750%	4/15/26	1,414	1,464
<sup>1</sup>	Clean Harbors Inc.	5.125%	7/15/29	768	840		Commercial Metals Co.	5.375%	7/15/27	595	627
<sup>1</sup>	Core & Main LP	6.125%	8/15/25	160	164	<sup>1</sup>	Constellium SE	6.625%	3/1/25	2,185	2,234
<sup>4,5</sup>	Core & Main LP Bank Loan, 3M USD LIBOR + 2.750%	3.750%	3/1/21	262	260	<sup>1</sup>	Constellium SE	5.875%	2/15/26	1,025	1,051
<sup>1</sup>	Herc Holdings Inc.	5.500%	7/15/27	5,966	6,339	<sup>1</sup>	Constellium SE	5.625%	6/15/28	500	538
<sup>1,2</sup>	Loxam SAS	4.250%	4/15/24	190	236		Crown Americas LLC / Crown Americas Capital Corp. IV	4.500%	1/15/23	300	317
<sup>2</sup>	Loxam SAS	2.875%	4/15/26	655	787		Crown Americas LLC / Crown Americas Capital Corp. V	4.250%	9/30/26	169	185
<sup>2</sup>	Loxam SAS	3.750%	7/15/26	750	930		Crown Americas LLC / Crown Americas Capital Corp. VI	4.750%	2/1/26	2,715	2,817
<sup>1,2</sup>	Q-Park Holding I BV	1.500%	3/1/25	805	947	<sup>1,2</sup>	Crown European Holdings SA	2.875%	2/1/26	1,555	2,035
<sup>1,2</sup>	Q-Park Holding I BV	2.000%	3/1/27	1,025	1,205	<sup>1,2</sup>	Diamond BC BV	5.625%	8/15/25	3,035	3,740
<sup>1</sup>	Sensata Technologies BV	4.875%	10/15/23	300	323	<sup>1</sup>	Flex Acquisition Co. Inc.	6.875%	1/15/25	4,000	4,055
<sup>1</sup>	Sensata Technologies BV	5.625%	11/1/24	575	642	<sup>1</sup>	Flex Acquisition Co. Inc.	7.875%	7/15/26	215	226
<sup>1</sup>	Sensata Technologies BV	5.000%	10/1/25	1,625	1,800		Graphic Packaging International LLC	4.125%	8/15/24	1,045	1,116
<sup>1</sup>	Sensata Technologies Inc.	4.375%	2/15/30	500	539	<sup>1</sup>	Graphic Packaging International LLC	4.750%	7/15/27	205	226
<sup>1</sup>	Sensata Technologies Inc.	3.750%	2/15/31	1,977	2,041	<sup>1</sup>	Graphic Packaging International LLC	3.500%	3/15/28	2,765	2,855
<sup>1</sup>	Signature Aviation US Holdings Inc.	4.000%	3/1/28	2,256	2,262	<sup>1</sup>	Graphic Packaging International LLC	3.500%	3/1/29	505	516
<sup>1</sup>	Spirit AeroSystems Inc.	5.500%	1/15/25	344	362	<sup>1</sup>	Novelis Corp.	5.875%	9/30/26	2,206	2,305
<sup>1</sup>	Stericycle Inc.	3.875%	1/15/29	255	262	<sup>1</sup>	Novelis Corp.	4.750%	1/30/30	1,889	2,019
<sup>1</sup>	Terex Corp.	5.625%	2/1/25	246	253	<sup>1</sup>	OCI NV	5.250%	11/1/24	3,623	3,763
	TransDigm Inc.	6.500%	7/15/24	3,090	3,140	<sup>1</sup>	OCI NV	4.625%	10/15/25	655	681
	TransDigm Inc.	6.500%	5/15/25	2,565	2,639	<sup>1</sup>	OI European Group BV	4.000%	3/15/23	675	689
	United Rentals North America Inc.	5.875%	9/15/26	1,955	2,063		Olin Corp.	5.125%	9/15/27	1,775	1,850
	United Rentals North America Inc.	5.500%	5/15/27	2,125	2,276		Olin Corp.	5.625%	8/1/29	1,665	1,804
	United Rentals North America Inc.	3.875%	11/15/27	880	922		Olin Corp.	5.000%	2/1/30	1,097	1,168
	United Rentals North America Inc.	4.875%	1/15/28	1,620	1,725	<sup>1</sup>	Owens-Brockway Glass Container Inc.	5.875%	8/15/23	2,140	2,292
	United Rentals North America Inc.	5.250%	1/15/30	740	821	<sup>1</sup>	Owens-Brockway Glass Container Inc.	5.375%	1/15/25	640	688
	United Rentals North America Inc.	4.000%	7/15/30	3,430	3,619	<sup>1</sup>	Owens-Brockway Glass Container Inc.	6.375%	8/15/25	1,245	1,379
	United Rentals North America Inc.	3.875%	2/15/31	1,406	1,476	<sup>1</sup>	Owens-Brockway Glass Container Inc.	6.625%	5/13/27	1,180	1,277
<sup>1,2</sup>	Vertical Holdco GmbH	6.625%	7/15/28	200	262	<sup>1</sup>	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	84	85
<sup>1,2</sup>	Vertical Midco GmbH	4.375%	7/15/27	275	354	<sup>1</sup>	Sealed Air Corp.	4.000%	12/1/27	624	665
<sup>1</sup>	Vertical U.S. Newco Inc.	5.250%	7/15/27	1,160	1,222	<sup>1,2</sup>	SIG Combibloc PurchaseCo Sarl	1.875%	6/18/23	600	757
					57,315	<sup>1,2</sup>	SIG Combibloc PurchaseCo Sarl	2.125%	6/18/25	545	699
<b>Materials (10.9%)</b>											
<sup>1</sup>	ARD Finance SA	6.500%	6/30/27	955	1,012		Silgan Holdings Inc.	4.750%	3/15/25	84	85
<sup>1</sup>	Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	4.125%	8/15/26	1,490	1,557	<sup>1</sup>	Silgan Holdings Inc.	4.125%	2/1/28	2,545	2,640
<sup>1,3</sup>	Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	4.750%	7/15/27	160	227	<sup>2</sup>	Silgan Holdings Inc.	2.250%	6/1/28	1,320	1,636
<sup>1</sup>	Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	5.250%	8/15/27	700	730	<sup>1</sup>	Standard Industries Inc.	5.000%	2/15/27	700	733
<sup>1</sup>	Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	5.250%	8/15/27	3,655	3,829	<sup>1</sup>	Standard Industries Inc.	4.750%	1/15/28	1,025	1,081
						<sup>1</sup>	Standard Industries Inc.	4.375%	7/15/30	3,600	3,852

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>1</sup> Standard Industries Inc.	3.375%	1/15/31	3,730	3,767
<sup>4.5</sup> Starfruit Finco B.V. Bank Loan, 1M USD LIBOR + 3.000%	3.153%	1/19/21	632	624
<sup>2</sup> Trivium Packaging Finance BV	3.750%	8/15/26	1,000	1,247
<sup>1,2</sup> Trivium Packaging Finance BV	3.750%	8/15/26	180	224
<sup>1</sup> Trivium Packaging Finance BV	5.500%	8/15/26	745	787
<sup>1</sup> Tronox Finance plc	5.750%	10/1/25	675	700
<sup>1</sup> Tronox Inc.	6.500%	4/15/26	2,956	3,063
<sup>1,6</sup> Valvoline Inc.	3.625%	6/15/31	880	904
			<b>90,838</b>	
<b>Real Estate (0.9%)</b>				
GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	1,005	1,098
<sup>1</sup> Iron Mountain Inc.	4.875%	9/15/27	595	622
<sup>1</sup> Iron Mountain Inc.	4.875%	9/15/29	2,177	2,291
MGM Growth Properties Operating Partnership LP / MGP Finance Co-Issuer Inc.	5.625%	5/1/24	150	162
<sup>1</sup> VICI Properties LP / VICI Note Co. Inc.	4.250%	12/1/26	1,635	1,696
<sup>1</sup> VICI Properties LP / VICI Note Co. Inc.	3.750%	2/15/27	458	468
<sup>1</sup> VICI Properties LP / VICI Note Co. Inc.	4.625%	12/1/29	820	878
			<b>7,215</b>	
<b>Technology (11.2%)</b>				
<sup>1</sup> Black Knight InfoServ LLC	3.625%	9/1/28	1,847	1,884
<sup>1</sup> BY Crown Parent LLC / BY Bond Finance Inc.	4.250%	1/31/26	1,185	1,215
<sup>1</sup> Cardtronics Inc. / Cardtronics USA Inc.	5.500%	5/1/25	450	466
CDK Global Inc.	5.875%	6/15/26	915	956
CDK Global Inc.	4.875%	6/1/27	785	828
<sup>1</sup> CDK Global Inc.	5.250%	5/15/29	2,220	2,445
CDW LLC / CDW Finance Corp.	5.500%	12/1/24	112	124
CDW LLC / CDW Finance Corp.	4.125%	5/1/25	1,340	1,399
CDW LLC / CDW Finance Corp.	4.250%	4/1/28	3,590	3,787
CDW LLC / CDW Finance Corp.	3.250%	2/15/29	2,792	2,834
<sup>1</sup> Change Healthcare Holdings LLC / Change Healthcare Finance Inc.	5.750%	3/1/25	3,170	3,226
<sup>1</sup> Dun & Bradstreet Corp.	6.875%	8/15/26	453	487
<sup>4.5</sup> Dun & Bradstreet Corp. Bank Loan, 1M USD LIBOR + 3.750%	3.898%	1/27/21	3,335	3,332
<sup>1</sup> Entegris Inc.	4.625%	2/10/26	150	155
<sup>1</sup> Entegris Inc.	4.375%	4/15/28	1,905	2,029
<sup>1</sup> Gartner Inc.	3.750%	10/1/30	1,310	1,380
<sup>1</sup> Microchip Technology Inc.	4.250%	9/1/25	4,025	4,256
<sup>1</sup> MSCI Inc.	4.750%	8/1/26	210	219
<sup>1</sup> MSCI Inc.	5.375%	5/15/27	690	737
<sup>1</sup> MSCI Inc.	4.000%	11/15/29	2,670	2,844
<sup>1</sup> MSCI Inc.	3.625%	9/1/30	445	465
<sup>1</sup> MSCI Inc.	3.875%	2/15/31	1,190	1,254
<sup>1</sup> Nokia of America Corp.	6.500%	1/15/28	1,355	1,477
<sup>1</sup> Nokia of America Corp.	6.450%	3/15/29	2,612	2,847
<sup>1</sup> Nokia Oyj	4.375%	6/12/27	2,425	2,655
<sup>1</sup> Nokia Oyj	6.625%	5/15/39	3,855	4,934
<sup>1</sup> NortonLifeLock Inc.	3.950%	6/15/22	345	353
<sup>1</sup> NortonLifeLock Inc.	5.000%	4/15/25	4,250	4,324
<sup>1</sup> Open Text Corp.	5.875%	6/1/26	2,180	2,267
<sup>1</sup> Open Text Corp.	3.875%	2/15/28	3,303	3,386

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>1</sup> Open Text Holdings Inc	4.125%	2/15/30	3,080	3,280
<sup>1</sup> Presidio Holdings Inc.	4.875%	2/1/27	1,941	2,048
<sup>1</sup> Presidio Holdings Inc.	8.250%	2/1/28	1,130	1,247
<sup>1</sup> PTC Inc.	3.625%	2/15/25	335	345
<sup>1</sup> PTC Inc.	4.000%	2/15/28	1,705	1,784
<sup>1</sup> Qorvo Inc.	4.375%	10/15/29	3,160	3,476
<sup>1</sup> Qorvo Inc.	3.375%	4/1/31	1,770	1,823
<sup>1</sup> Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,575
<sup>4.5</sup> SS&C Technologies Holdings Europe S.A.R.L. Bank Loan, 1M USD LIBOR + 1.750%	1.897%	1/29/21	516	509
<sup>1</sup> SS&C Technologies Inc.	5.500%	9/30/27	4,075	4,355
<sup>4.5</sup> SS&C Technologies Inc. Bank Loan, 1M USD LIBOR + 1.750%	1.897%	1/29/21	666	658
<sup>4.5</sup> SS&C Technologies Inc. Bank Loan, 1M USD LIBOR + 1.750%	1.897%	1/29/21	669	662
Western Digital Corp.	4.750%	2/15/26	3,879	4,301
Xerox Corp.	4.375%	3/15/23	698	734
Xerox Corp.	4.800%	3/1/35	542	546
Xerox Corp.	6.750%	12/15/39	1,995	2,135
<sup>1</sup> Xerox Holdings Corp.	5.000%	8/15/25	155	164
<sup>1</sup> Xerox Holdings Corp.	5.500%	8/15/28	4,435	4,701
			<b>92,908</b>	

**Utilities (1.4%)**

AmeriGas Partners LP / AmeriGas Finance Corp.	5.625%	5/20/24	1,395	1,521
AmeriGas Partners LP / AmeriGas Finance Corp.	5.500%	5/20/25	620	685
AmeriGas Partners LP / AmeriGas Finance Corp.	5.875%	8/20/26	1,765	1,994
AmeriGas Partners LP / AmeriGas Finance Corp.	5.750%	5/20/27	1,745	1,985
<sup>1</sup> Clearway Energy Operating LLC	4.750%	3/15/28	571	612
<sup>1</sup> NextEra Energy Operating Partners LP	4.250%	7/15/24	683	727
<sup>1</sup> NextEra Energy Operating Partners LP	4.250%	9/15/24	103	111
<sup>1</sup> NextEra Energy Operating Partners LP	3.875%	10/15/26	3,035	3,251
<sup>1</sup> NextEra Energy Operating Partners LP	4.500%	9/15/27	700	781
			<b>11,667</b>	

**Total Corporate Bonds (Cost \$743,033) 787,808**

Shares

**Common Stocks (0.1%)**

<b>Energy (0.1%)</b>				
<sup>*</sup> Whiting Petroleum Corp.			51,071	1,277

**Other (0.0%)**

<sup>*,8</sup> Homer City Holdings LLC			62,633	—
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**Total Common Stocks (Cost \$4,596) 1,277**

## High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>Temporary Cash Investments (3.9%)</b>				
<b>Repurchase Agreement (3.9%)</b>				
Bank of America Securities LLC (Dated 12/31/20, Repurchase Value \$32,400,000, collateralized by Government National Mortgage Association, 2.515%–3.087%, 6/20/69–10/20/70, with a value of \$33,048,000) (Cost \$32,400)	0.080%	1/4/21	32,400	32,400
<b>Total Investments (98.8%) (Cost \$780,029)</b>				<b>821,485</b>
<b>Other Assets and Liabilities—Net (1.2%)</b>				<b>9,722</b>
<b>Net Assets (100%)</b>				<b>831,207</b>

Cost is in \$000.

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

- 1 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2020, the aggregate value was \$441,119,000, representing 53.1% of net assets.
- 2 Face amount denominated in euro.
- 3 Face amount denominated in British pounds.
- 4 Security is a senior, secured, high-yield floating-rate loan. These loans are debt obligations issued by public and private companies and are comparable to high-yield bonds from a ratings and leverage perspective. At December 31, 2020 the aggregate value of these securities was \$16,953,000, representing 2.0% of net assets.
- 5 Variable rate security; rate shown is effective rate at period end. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent based on current market conditions.
- 6 Includes securities purchased on a when-issued or delayed-delivery basis for which the portfolio has not taken delivery as of December 31, 2020.
- 7 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.
- 8 Security value determined using significant unobservable inputs.
  - 1M—1-month.
  - 3M—3-month.
  - LIBOR—London Interbank Offered Rate.

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**Derivative Financial Instruments Outstanding as of Period End**


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## Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)		Unrealized Appreciation (\$000)	Unrealized Depreciation (\$000)
		Receive	Deliver		
Toronto-Dominion Bank	1/29/21	USD 36,982	EUR 30,434	—	(224)
Barclays Bank plc	1/29/21	USD 1,043	EUR 855	—	(2)
Barclays Bank plc	1/29/21	USD 1,533	GBP 1,133	—	(16)
				—	(242)

EUR—euro.

GBP—British pound.

USD—U.S. dollar.

## Statement of Assets and Liabilities

As of December 31, 2020

(\$000s, except shares and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value—Unaffiliated Issuers (Cost \$780,029)	821,485
Investment in Vanguard	32
Cash	1,447
Cash Collateral Pledged—Forward Currency Contracts	1,200
Foreign Currency, at Value (Cost \$2)	2
Receivables for Investment Securities Sold	702
Receivables for Accrued Income	10,801
Receivables for Capital Shares Issued	210
<b>Total Assets</b>	<b>835,879</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	3,730
Payables to Investment Advisor	126
Payables for Capital Shares Redeemed	484
Payables to Vanguard	90
Unrealized Depreciation—Forward Currency Contracts	242
<b>Total Liabilities</b>	<b>4,672</b>
<b>Net Assets</b>	<b>831,207</b>

At December 31, 2020, net assets consisted of:

Paid-in Capital	778,311
Total Distributable Earnings (Loss)	52,896
<b>Net Assets</b>	<b>831,207</b>
<b>Net Assets</b>	
Applicable to 102,407,736 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	831,207
<b>Net Asset Value Per Share</b>	<b>\$8.12</b>

## Statement of Operations

	Year Ended December 31, 2020
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Interest	37,519
<b>Total Income</b>	<b>37,519</b>
<b>Expenses</b>	
Investment Advisory Fees—Note B	466
The Vanguard Group—Note C	
Management and Administrative	1,408
Marketing and Distribution	79
Custodian Fees	20
Auditing Fees	31
Shareholders' Reports	15
Trustees' Fees and Expenses	1
Total Expenses	2,020
<b>Net Investment Income</b>	<b>35,499</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold	(8,053)
Swap Contracts	(3,313)
Forward Currency Contracts	(2,735)
Foreign Currencies	51
<b>Realized Net Gain (Loss)</b>	<b>(14,050)</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities	22,034
Swap Contracts	(211)
Forward Currency Contracts	(115)
Foreign Currencies	7
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>21,715</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>43,164</b>

## Statement of Changes in Net Assets

	Year Ended December 31,	
	2020	2019
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	35,499	38,680
Realized Net Gain (Loss)	(14,050)	(474)
Change in Unrealized Appreciation (Depreciation)	21,715	69,137
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>43,164</b>	<b>107,343</b>
<b>Distributions<sup>1</sup></b>		
Total Distributions	(39,449)	(42,939)
<b>Capital Share Transactions</b>		
Issued	259,625	152,281
Issued in Lieu of Cash Distributions	39,449	42,939
Redeemed	(254,487)	(180,636)
<b>Net Increase (Decrease) from Capital Share Transactions</b>	<b>44,587</b>	<b>14,584</b>
<b>Total Increase (Decrease)</b>	<b>48,302</b>	<b>78,988</b>
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>782,905</b>	<b>703,917</b>
<b>End of Period</b>	<b>831,207</b>	<b>782,905</b>

<sup>1</sup> Certain prior-period numbers have been reclassified to conform with the current-period presentation.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Net Asset Value, Beginning of Period</b>	<b>\$8.19</b>	<b>\$7.53</b>	<b>\$8.13</b>	<b>\$7.99</b>	<b>\$7.59</b>
<b>Investment Operations</b>					
Net Investment Income	.353 <sup>1</sup>	.410 <sup>1</sup>	.420 <sup>1</sup>	.419 <sup>1</sup>	.397
Net Realized and Unrealized Gain (Loss) on Investments	.021	.731	(.636)	.119	.426
Total from Investment Operations	.374	1.141	(.216)	.538	.823
<b>Distributions</b>					
Dividends from Net Investment Income	(.444)	(.481)	(.384)	(.398)	(.423)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.444)	(.481)	(.384)	(.398)	(.423)
<b>Net Asset Value, End of Period</b>	<b>\$8.12</b>	<b>\$8.19</b>	<b>\$7.53</b>	<b>\$8.13</b>	<b>\$7.99</b>
<b>Total Return</b>	<b>5.67%</b>	<b>15.67%</b>	<b>-2.73%</b>	<b>7.00%</b>	<b>11.35%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$831	\$783	\$704	\$752	\$622
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.26%	0.28%	0.28%
Ratio of Net Investment Income to Average Net Assets	4.57%	5.21%	5.39%	5.22%	5.44%
Portfolio Turnover Rate	41%	27%	23%	28%	27%

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

## Notes to Financial Statements

The High Yield Bond Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries. 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. Bonds and temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been 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.

2. **Foreign Currency:** Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. **Forward Currency Contracts:** The portfolio enters into forward currency contracts to protect the value of securities and related receivables and payables against changes in future foreign exchange rates. The portfolio's risks in using these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the ability of the counterparties to fulfill their obligations under the contracts. The portfolio mitigates its counterparty risk by entering into forward currency contracts only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. The master netting arrangements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate the forward currency contracts, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements. The forward currency contracts contain provisions whereby a counterparty may terminate open contracts if the portfolio's net assets decline below a certain level, triggering a payment by the portfolio if the portfolio is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the portfolio has pledged. Any securities pledged as collateral for open contracts are noted in the Schedule of Investments. The value of collateral received or pledged is compared daily to the value of the forward currency contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

Forward currency contracts are valued at their quoted daily prices obtained from an independent third party, adjusted for currency risk based on the expiration date of each contract. The notional amounts of the contracts are not recorded in the Statement of 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 forward currency contracts.

During the year ended December 31, 2020, the portfolio's average investment in forward currency contracts represented 4% of net assets, based on the average of the notional amounts at each quarter-end during the period.

4. Swap Contracts: The portfolio invests in credit default swaps to adjust the overall credit risk of the portfolio or to actively overweight or underweight credit risk to a specific issuer or group of issuers. The portfolio may sell credit protection through credit default swaps to simulate investments in long positions that are either unavailable or considered to be less attractively priced in the bond market. The portfolio may purchase credit protection through credit default swaps to reduce credit exposure to a given issuer or issuers. Under the terms of the swaps, an up-front payment may be exchanged between the seller and buyer. In addition, the seller of the credit protection receives a periodic payment of premium from the buyer that is a fixed percentage applied to a notional amount. If, for example, the reference entity is subject to a credit event (such as bankruptcy, failure to pay, or obligation acceleration) during the term of the swap, the seller agrees to either physically settle or cash settle the swap contract. If the swap is physically settled, the seller agrees to pay the buyer an amount equal to the notional amount and take delivery of a debt instrument of the reference issuer with a par amount equal to such notional amount. If the swap is cash settled, the seller agrees to pay the buyer the difference between the notional amount and the final price for the relevant debt instrument, as determined either in a market auction or pursuant to a pre-agreed-upon valuation procedure.

The notional amounts of swap contracts are not recorded in the Statement of Assets and Liabilities. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the seller of credit protection is required to take delivery (or, in a cash settled swap, pay the settlement amount determined) upon occurrence of a credit event, periodic payments are made, or the swap terminates, at which time realized gain (loss) is recorded. The net premium to be received or paid by the portfolio under swap contracts is accrued daily and recorded as realized gain (loss) over the life of the contract.

The primary risk associated with selling credit protection is that, upon the occurrence of a defined credit event, the market value of the debt instrument received by the portfolio (or, in a cash settled swap, the debt instruments used to determine the settlement payment by the portfolio) will be significantly less than the amount paid by the portfolio and, in a physically settled swap, the portfolio may receive an illiquid debt instrument. A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the portfolio. The portfolio's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The portfolio mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. In the event of a counterparty's default (including bankruptcy), the portfolio may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the portfolio net assets decline below a certain level, triggering a payment by the portfolio if the portfolio is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the portfolio has pledged. Any securities pledged as collateral for open contracts are noted in the Schedule of Investments. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

The portfolio enters into centrally cleared credit default swaps to achieve the same objectives specified with respect to the equivalent over-the-counter swaps but with less counterparty risk because a regulated clearinghouse is the counterparty instead of the clearing broker or executing broker. The clearinghouse imposes initial margin requirements to secure the portfolio's performance, and requires daily settlement of variation margin representing changes in the market value of each contract. To further mitigate counterparty risk, the portfolio trades with a diverse group of prequalified executing brokers; monitors the financial strength of its clearing brokers, executing brokers, and clearinghouse; and has entered into agreements with its clearing brokers and executing brokers.

During the year ended December 31, 2020, the portfolio's average amounts of investments in credit protection sold and credit protection purchased 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. The portfolio has no open swap contracts at December 31, 2020.

5. Repurchase Agreements: The portfolio enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the portfolio under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The portfolio further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

6. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. 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.

7. 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.

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

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

For the year ended December 31, 2020, the portfolio did not utilize the credit facilities or the Interfund Lending Program.

9. Other: Interest income is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. For the year ended December 31, 2020, the investment advisory fee represented an effective annual basic rate of 0.06% of the portfolio's average net assets.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing,

and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees 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 December 31, 2020, the portfolio had contributed to Vanguard capital in the amount of \$32,000, representing less than 0.01% of the portfolio's net assets and 0.01% of Vanguard's capital received pursuant to the FSA. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the portfolio's investments and derivatives as of December 31, 2020, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Investments</b>				
<b>Assets</b>				
Corporate Bonds	—	787,808	—	787,808
Common Stocks	1,277	—	—	1,277
Temporary Cash Investments	—	32,400	—	32,400
Total	1,277	820,208	—	821,485
<b>Derivative Financial Instruments</b>				
<b>Liabilities</b>				
Forward Currency Contracts	—	242	—	242

E. At December 31, 2020, the fair values of derivatives were reflected in the Statement of Assets and Liabilities as follows:

Statement of Assets and Liabilities Caption	Foreign Exchange Contracts (\$000)
<b>Liabilities</b>	
Unrealized Depreciation— Forward Currency Contracts	242

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the year ended December 31, 2020, were:

	Foreign Exchange Contracts (\$000)	Credit Contracts (\$000)	Total (\$000)
<b>Realized Net Gain (Loss) on Derivatives</b>			
Swap Contracts	—	(3,313)	(3,313)
Forward Currency Contracts	(2,735)	—	(2,735)
Realized Net Gain (Loss) on Derivatives	(2,735)	(3,313)	(6,048)
<b>Change in Unrealized Appreciation (Depreciation) on Derivatives</b>			
Swap Contracts	—	(211)	(211)
Forward Currency Contracts	(115)	—	(115)
Change in Unrealized Appreciation (Depreciation) on Derivatives	(115)	(211)	(326)

F. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These

reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for foreign currency transactions and swap agreements were reclassified between the individual components of total distributable earnings (loss).

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. The differences are primarily related to the deferral of losses from wash sales; the recognition of unrealized gains or losses from certain derivative contracts; the recognition of gain or loss foreign currency hedges; and the treatment of amortization adjustments from certain fixed income securities. As of period end, the tax-basis components of total distributable earnings (loss) are detailed in the table as follows:

	Amount (\$000)
Undistributed Ordinary Income	33,269
Undistributed Long-Term Gains	—
Capital Loss Carryforwards	(19,119)
Qualified Late-Year Losses	—
Net Unrealized Gains (Losses)	38,746

The tax character of distributions paid was as follows:

	Year Ended December 31,	
	2020 Amount (\$000)	2019 Amount (\$000)
Ordinary Income*	39,449	42,939
Long-Term Capital Gains	—	—
Total	39,449	42,939

\* Includes short-term capital gains, if any.

As of December 31, 2020, 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	783,233
Gross Unrealized Appreciation	43,973
Gross Unrealized Depreciation	(5,721)
Net Unrealized Appreciation (Depreciation)	38,252

G. During the year ended December 31, 2020, the portfolio purchased \$346,462,000 of investment securities and sold \$294,270,000 of investment securities, other than temporary cash investments.

H. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2020 Shares (000)	2019 Shares (000)
Issued	34,269	19,313
Issued in Lieu of Cash Distributions	5,853	5,672
Redeemed	(33,293)	(22,931)
Net Increase (Decrease) in Shares Outstanding	6,829	2,054

At December 31, 2020, 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 42% of the portfolio's net assets. If this shareholder was 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.

I. Management has determined that no events or transactions occurred subsequent to December 31, 2020, that would require recognition or disclosure in these financial statements.

# Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of High Yield Bond Portfolio

## Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of High Yield Bond Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

## Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 18, 2021

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

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**Special 2020 tax information (unaudited) for corporate shareholders only for High Yield Bond Portfolio, a portfolio of Vanguard Variable Insurance Funds**

This information for the fiscal year ended December 31, 2020, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The percentage of the ordinary dividends reported by the fund that is treated as a Section 163(j) interest dividend and thus is eligible to be treated as interest income for purposes of Section 163(j) and the regulations thereunder is 88.8%.

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Neither Barclays Bank Plc, Barclays Capital Inc., or any affiliate (collectively Barclays) or Bloomberg is the issuer or producer of the High Yield Bond Portfolio and neither Bloomberg nor Barclays has any responsibilities, obligations or duties to investors in the High Yield Bond Portfolio. The Index is licensed for use by The Vanguard Group, Inc. (Vanguard) as the sponsor of the High Yield Bond Portfolio. Bloomberg and Barclays' only relationship with Vanguard in respect of the Index is the licensing of the Index, which are determined, composed and calculated by BISL, or any successor thereto, without regard to the Issuer or the High Yield Bond Portfolio or the owners of the High Yield Bond Portfolio.

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# The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 211 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. That information, as well as the Vanguard fund count, is as of the date on the cover of this fund report. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at [vanguard.com](http://vanguard.com).

## Interested Trustee<sup>1</sup>

### Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chairman of the board (2019–present) of Vanguard and of each of the investment companies served by Vanguard; chief executive officer (2018–present) of Vanguard; chief executive officer, president, and trustee (2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) and trustee (2009–2017) of the Children's Hospital of Philadelphia; and trustee (2018–present) and vice chair (2019–present) of The Shipley School.

## Independent Trustees

### Emerson U. Fullwood

Born in 1948. Trustee since January 2008. Principal occupation(s) during the past five years and other experience: executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. Executive in residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology. Director of SPX FLOW, Inc. (multi-industry manufacturing). Director of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

### Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) of the University of Pennsylvania. Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and professor of communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania.

### F. Joseph Loughrey

Born in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Chairman of the board of Hillenbrand, Inc. (specialized consumer services) and the Lumina Foundation. Director of the V Foundation. Member of the advisory council for the College of Arts and Letters and chair of the advisory board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

### Mark Loughridge

Born in 1953. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: senior vice president and chief financial officer (retired 2013) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

### Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (retired June 2020) and vice president (retired June 2020) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee (retired June 2020). Member of the board of Catholic Investment Services, Inc. (investment advisors) and the board of superintendence of the Institute for the Works of Religion.

### Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: board chair (2020–present), chief executive officer (2011–2020), and president (2010–2019) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of the individual life and disability division of Guardian Life. Member of the board of the American Council of Life Insurers and the board of the Economic Club of New York. Trustee of the Partnership for New York City (business leadership), Chief Executives for Corporate Purpose, NewYork-Presbyterian Hospital, Catalyst, and the

Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

### André F. Perold

Born in 1952. Trustee since December 2004. Principal occupation(s) during the past five years and other experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Chief investment officer and co-managing partner of HighVista Strategies (private investment firm). Member of the board of advisors and member of the investment committee of the Museum of Fine Arts Boston. Member of the board (2018–present) of RIT Capital Partners (investment firm). Member of the investment committee of Partners Health Care System.

### Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director (2017–present) of i(x) Investments, LLC; director (2017–present) of Reserve Trust. Rubenstein Fellow (2017–present) of Duke University; trustee (2017–present) of Amherst College, and trustee (2019–present) of the Folger Shakespeare Library.

### Peter F. Volanakis

Born in 1955. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). Chairman of the board of trustees of Colby-Sawyer College. Member of the board of Hypertherm Inc. (industrial cutting systems, software, and consumables).

<sup>1</sup> Mr. Buckley is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

## Executive Officers

### John Bendl

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2019–present) of each of the investment companies served by Vanguard. Chief accounting officer, treasurer, and controller of Vanguard (2017–present). Partner (2003–2016) at KPMG (audit, tax, and advisory services).

### Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG (audit, tax, and advisory services).

### David Cermak

Born in 1960. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present) of each of the investment companies served by Vanguard. Managing director and head (2017–present) of Vanguard Investments Singapore. Managing director and head (2017–2019) of Vanguard Investments Hong Kong. Representative director and head (2014–2017) of Vanguard Investments Japan.

### John Galloway

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard.

Investment stewardship officer (September 2020–present) of each of the investment companies served by Vanguard. Head of Investor Advocacy (February 2020–present) and head of Marketing Strategy and Planning (2017–2020) at Vanguard. Deputy assistant to the President of the United States (2015).

### Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present), chief financial officer (2008–2019), and treasurer (1998–2008) of each of the investment companies served by Vanguard.

### Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

### Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

### Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

### John E. Schadl

Born in 1972. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2019–present) of Vanguard and of each of the investment companies served by Vanguard. Assistant vice president (2019–present) of Vanguard Marketing Corporation.

## Vanguard Senior Management Team

Joseph Brennan  
Mortimer J. Buckley  
Gregory Davis  
John James  
John T. Marcante  
Chris D. McIsaac

James M. Norris  
Thomas M. Rampulla  
Karin A. Risi  
Anne E. Robinson  
Michael Rollings  
Lauren Valente



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You can review information about your fund on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](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](http://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [www.sec.gov](http://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](http://vanguard.com/proxyreporting) or [www.sec.gov](http://www.sec.gov).