



Annual Report | December 31, 2018

Vanguard Variable Insurance Fund

High Yield Bond 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.

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. 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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CEO's Perspective



Tim Buckley
Chairman and Chief Executive Officer

Dear Planholder,

Over the years, I've found that prudent investors exhibit a common trait: discipline. No matter how the markets move or what new investing fad hits the headlines, those who stay focused on their goals and tune out the noise are set up for long-term success.

The prime gateway to investing is saving, and you don't usually become a saver without a healthy dose of discipline. Savers make the decision to sock away part of their income, which means spending less and delaying gratification, no matter how difficult that may be.

Of course, disciplined investing extends beyond diligent saving. The financial markets, in the short term especially, are unpredictable; I have yet to meet the investor who can time them perfectly. It takes discipline to resist the urge to go all-in when markets are frothy or to retreat when things look bleak.

Staying put with your investments is one strategy for handling volatility. Another, rebalancing, requires even more discipline because it means steering your money away from strong performers and toward poorer performers.

Patience—a form of discipline—is also the friend of long-term investors. Higher returns are the potential reward for weathering the market's turbulence and uncertainty.

It's important to be prepared for that turbulence, whenever it appears. Don't panic. Don't chase returns or look for answers outside the asset classes you trust. And be sure to rebalance periodically, even when there's turmoil.

Whether you're a master of self-control, get a boost from technology, or work with a professional advisor, know that discipline is necessary to get the most out of your investment portfolio. And know that Vanguard is with you for the entire ride.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in black ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Mortimer J. Buckley
Chairman and Chief Executive Officer
January 17, 2019

Market Perspective

Stocks slide and volatility climbs

After a strong start, global stock markets fell, and volatility rose substantially at the end of the year. The spike in volatility resulted primarily from concerns over slowing global growth, rising U.S. interest rates, and heightened geopolitical uncertainty. These factors led to sharp declines across major equity markets for the 12-month period.

The CRSP US Total Market Index, the benchmark for Vanguard Total Stock Market Index Fund, returned -5.17% for the 12 months ended December 31, 2018. Seven of the fund's ten industry sectors declined, with only health care, utilities, and consumer services gaining ground. Financials and industrials were the sectors that detracted the most.

In the United States, technology stocks were hurt by concerns about slowing sales and high valuations. Manufacturers lost ground in part because of continued trade tensions between the United States and China. And stocks in the energy sector retreated amid declining oil prices.

Stocks outside the United States were also in negative territory. The U.K., for example, continued to be challenged by

the Brexit negotiations. And European stocks lagged because of concerns about Italy's debt and Europe's economic dependence on emerging markets, which were hurt throughout much of the year by a rising dollar and trade protectionism.

Mixed results for bonds

Despite a solid macroeconomic backdrop throughout the year, bond markets also experienced bouts of volatility, as bond investors shared some of the same concerns that affected equity investors.

In the final quarter of the year, fixed income investors shied away from risky assets, including U.S. high-yield and investment-grade corporate bonds, which underperformed as credit spreads with U.S. Treasuries widened significantly. The impending partial shutdown of the U.S. government also weighed on investor sentiment and contributed to the relative strength of safe-haven assets as the year drew to a close.

For the year, the return for the bond market was essentially flat. The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.01%. Bonds with shorter durations tended to perform the best. Mortgage-backed

securities outperformed both U.S. Treasuries and corporate bonds for the year.

Treasury yields generally fell over the final quarter but finished the year higher. The yield of the 2-year Treasury note climbed 61 basis points to close the year at 2.49%. The yield of the 10-year Treasury increased 27 basis points to 2.68%.

The 12-month rise in yields was encouraged by the U.S. Federal Reserve. In December, the Fed lifted its target for short-term interest rates for the fourth time in 2018, to a range of 2.25%–2.5%. The central bank maintained that U.S. growth fundamentals and labor market conditions remain solid despite the recent market volatility, and lowered its long-term neutral target range to 2.75%–3%, signaling the likelihood for two more rate increases in 2019.

Bonds outside the United States, as measured by the Bloomberg Barclays Global Aggregate Index ex USD, returned -2.15% for the period. In general, higher-quality bonds with longer maturities tended to perform the best.

Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2018		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	-4.78%	9.09%	8.21%
Russell 2000 Index (Small-caps)	-11.01	7.36	4.41
Russell 3000 Index (Broad U.S. market)	-5.24	8.97	7.91
FTSE All-World ex US Index (International)	-14.13	4.58	1.05
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	0.01%	2.06%	2.52%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	1.28	2.30	3.82
FTSE Three-Month U.S. Treasury Bill Index	1.86	0.98	0.59
CPI			
Consumer Price Index	1.91%	2.03%	1.51%

High Yield Bond Portfolio

Advisor's Report

The investment environment

For the 12 months ended December 31, 2018, the High Yield Bond Portfolio returned -2.73%, compared with the benchmark return of -1.71%. Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

High-yield markets were hurt by both increasing interest rates and widening credit spreads amid a backdrop of geopolitical uncertainty in Europe and elevated tensions between the U.S. and its trading partners, China in particular. Global monetary policy continued along a less accommodative path during the period. The Federal Reserve raised rates four times and projected additional hikes, but set expectations late in the period that the pace of tightening may slow. The 10-year U.S. Treasury yield increased to 2.68% by the end of December 2018 from 2.41% at the end of December 2017.

Trade war concerns initially lifted inflation expectations; the prospect of fewer Fed rate hikes in 2019 amid a deteriorating global economic outlook contributed to a decline in U.S. yields late in the period, but they still finished higher for the year. This dynamic weighed on bond prices because bond yields and prices generally move in opposite directions.

A lack of progress on key political issues in Europe and a sharp decline in energy prices led corporate credit spreads to widen during the fourth quarter, further pressuring bond prices. The spread of the high-yield market widened to 526 basis points over Treasuries as of December 31, 2018, compared with 343 basis points at the end of 2017. (A basis point is one-hundredth of a percentage point.) The average price of high-yield bonds decreased \$8 to \$93 per \$100 of par or face value.

During the period, there was some dispersion in performance by credit quality. The high-yield market generally punished relatively lower-credit-quality bonds amid the spike in market volatility late in the year. Lower-rated CCC bonds performed worst, returning -3.84%, according to Bloomberg Barclays High Yield Index data. Higher-rated BB bonds returned -2.41% and B-rated bonds returned -1.31%.

We remain positive on high-yield bonds given the backdrop of stable corporate fundamentals, a supportive macroeconomic landscape, and strong demand for yield-producing assets. We expect GDP growth to slow in 2019, as the impact of fiscal stimulus fades, but we remain positive. Valuations appear attractive following recent spread widening, given the strong economy and solid company fundamentals. The technical backdrop remains balanced despite some fund outflows—new-issue supply declined in 2018 to its lowest level since 2009 and net new issuance (after accounting for maturities) was negative.

While geopolitical events and tighter-than-expected central bank monetary policy are risks, we believe spreads offer ample cushion given our expectation for a benign default environment over the next year. Moody's trailing 12-month global issuer-weighted speculative-grade default rate ended November 2018 at 2.3%, below the long-term average of 4.2%. Although bouts of volatility may persist, we continue to take a long-term, issuer-specific approach to finding opportunities in this market.

Global political uncertainty and elevated trade tensions may contribute to additional bouts of market volatility. However, most of the high-yield companies within our opportunity set operate in domestically focused industries. Because we remain positive on U.S. conditions, we continue to favor issuers expected to benefit from a growing domestic economy.

One key risk to our outlook remains the ability of global financial markets to cope both with future central bank rate hikes and the uncharted territory of quantitative tightening. For now, we are encouraged that recent Fed rhetoric appears more dovish, but we remain cognizant of the difficulty of engineering a soft landing.

The portfolio's shortfalls

Positioning and security selection within the oil and gas and metal and mining sectors detracted from relative returns. An underweight to government securities also hurt relative performance.

The portfolio's successes

The portfolio benefited from positioning and positive credit selection within the energy sector, as well as from an overweight to the health care sector.

The portfolio's positioning

The portfolio remains consistent in its investment objective and strategy and maintains meaningful exposure to relatively higher-quality names within 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 prefer 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 15, 2019

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 table below 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 December 31, 2018

	Beginning Account Value 6/30/2018	Ending Account Value 12/31/2018	Expenses Paid During Period ¹
High Yield Bond Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$983.03	\$1.20
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.00	1.22

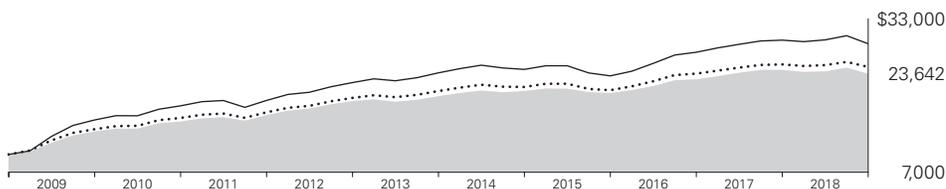
¹ The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.24%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, 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 (184/365).

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.) 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, 2008–December 31, 2018

Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended December 31, 2018			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
High Yield Bond Portfolio	-2.73%	3.56%	8.99%	\$23,642
High-Yield Corporate Composite Index ¹	-1.71	3.66	9.50	24,791
Bloomberg Barclays U.S. Corporate High Yield Index	-2.08	3.83	11.12	28,712

¹ Consists of 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. See Financial Highlights for dividend and capital gains information.

Sector Diversification

As of December 31, 2018

Basic Industry	7.6%
Capital Goods	10.9
Communication	21.1
Consumer Cyclical	12.0
Consumer Non-Cyclical	12.8
Energy	12.5
Finance	11.1
Technology	7.1
Transportation	0.4
Treasury/Agency	0.3
Utilities	1.6
Other	2.6

The table reflects the portfolio's market exposure. Any holdings in short-term reserves are excluded. The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

Financial Statements

Statement of Net Assets

As of December 31, 2018

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at sec.gov.

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Corporate Bonds (91.0%)					Real Estate Investment Trusts (0.2%)				
Finance (11.0%)					Felcor Lodging LP				
Banking (3.7%)					6.000% 6/1/25 1,400 1,431				
Ally Financial Inc. 4.625% 5/19/22 105 103					77,444				
Ally Financial Inc. 5.125% 9/30/24 1,480 1,465					Industrial (78.7%)				
Ally Financial Inc. 4.625% 3/30/25 840 813					Basic Industry (7.0%)				
Ally Financial Inc. 5.750% 11/20/25 3,415 3,398					AK Steel Corp. 7.625% 10/1/21 355 320				
Ally Financial Inc. 8.000% 11/1/31 215 238					AK Steel Corp. 7.500% 7/15/23 2,395 2,377				
1 Banco Bilbao Vizcaya Argentaria SA 6.125% 2/16/66 4,000 3,340					AK Steel Corp. 6.375% 10/15/25 988 756				
1.2 BNP Paribas SA 6.750% 3/14/66 1,805 1,770					AK Steel Corp. 7.000% 3/15/27 2,720 2,094				
1.2 Credit Suisse AG 6.250% 12/31/50 5,280 5,015					3 Alcoa Nederland Holding BV 6.750% 9/30/24 410 420				
1 ING Groep NV 6.875% 4/16/66 2,400 2,387					3 Alliance Resource Operating Partners LP / Alliance Resource Finance Corp. 7.500% 5/1/25 2,823 2,834				
3 Intesa Sanpaolo SPA 5.710% 1/15/26 2,105 1,916					Chemours Co. 6.625% 5/15/23 1,327 1,340				
1 Royal Bank of Scotland Group plc 6.125% 12/15/22 1,635 1,664					Chemours Co. 7.000% 5/15/25 3,115 3,142				
1 UBS Group AG 6.875% 3/22/66 3,700 3,700					Chemours Co. 5.375% 5/15/27 930 837				
Brokerage (0.3%)					3 Commercial Metals Co. 5.750% 4/15/26 1,414 1,315				
2.4 Brookfield WEC Holdings Inc. Bank Loan 6.272% 8/1/25 2,010 1,940					Commercial Metals Co. 5.375% 7/15/27 565 506				
Finance Companies (4.3%)					3 Constellium NV 5.750% 5/15/24 1,085 1,001				
1.3 AerCap Global Aviation Trust 6.500% 6/15/45 3,950 3,792					3 Constellium NV 6.625% 3/1/25 2,485 2,323				
Aircastle Ltd. 5.000% 4/1/23 715 712					3.5 Constellium NV 4.250% 2/15/26 120 124				
Aircastle Ltd. 4.125% 5/1/24 1,860 1,746					3 Constellium NV 5.875% 2/15/26 260 234				
CIT Group Inc. 5.000% 8/15/22 1,205 1,188					3.5 CTC BondCo GmbH 5.250% 12/15/25 425 463				
CIT Group Inc. 5.000% 8/1/23 155 152					3 First Quantum Minerals Ltd. 7.000% 2/15/21 1,820 1,747				
CIT Group Inc. 4.750% 2/16/24 115 111					3 First Quantum Minerals Ltd. 7.250% 5/15/22 1,580 1,465				
3 Freedom Mortgage Corp. 8.250% 4/15/25 740 633					3 First Quantum Minerals Ltd. 6.500% 3/1/24 710 589				
Navient Corp. 7.250% 1/25/22 615 594					3 First Quantum Minerals Ltd. 6.875% 3/1/26 585 469				
Navient Corp. 6.500% 6/15/22 4,150 3,870					3 FMG Resources August 2006 Pty Ltd. 4.750% 5/15/22 635 603				
Navient Corp. 5.500% 1/25/23 2,625 2,303					3 FMG Resources August 2006 Pty Ltd. 5.125% 3/15/23 1,980 1,864				
Navient Corp. 7.250% 9/25/23 590 541					3 FMG Resources August 2006 Pty Ltd. 5.125% 5/15/24 610 566				
Navient Corp. 6.750% 6/25/25 5,180 4,377					Graphic Packaging International Inc. 4.125% 8/15/24 1,065 1,001				
Navient Corp. 6.750% 6/15/26 730 606					3 New Gold Inc. 6.250% 11/15/22 1,149 965				
Navient Corp. 5.625% 8/1/33 1,052 700					3 New Gold Inc. 6.375% 5/15/25 1,510 1,148				
Springleaf Finance Corp. 5.250% 12/15/19 210 210					3 Novelis Corp. 6.250% 8/15/24 1,580 1,489				
Springleaf Finance Corp. 8.250% 12/15/20 1,265 1,311					3 Novelis Corp. 5.875% 9/30/26 2,635 2,312				
Springleaf Finance Corp. 7.750% 10/1/21 1,965 1,977					3 Olin Corp. 5.125% 9/15/27 1,775 1,633				
Springleaf Finance Corp. 6.125% 5/15/22 385 374					2.4 Starfruit Finco BV Bank Loan 5.599% 10/1/25 553 517				
Springleaf Finance Corp. 8.250% 10/1/23 515 532					2.4 Starfruit Finco BV Bank Loan 5.599% 10/1/25 107 100				
Springleaf Finance Corp. 6.875% 3/15/25 715 639					3.5 Starfruit Finco BV / Starfruit US Holdco LLC 6.500% 10/1/26 260 273				
Springleaf Finance Corp. 7.125% 3/15/26 4,440 3,957					3 Starfruit US Holdco LLC / Starfruit Finco BV 8.000% 10/1/26 2,150 2,021				
Insurance (2.1%)					Steel Dynamics Inc. 5.125% 10/1/21 1,020 1,020				
1 Aegon NV 5.500% 4/11/48 2,220 2,026					Steel Dynamics Inc. 5.500% 10/1/24 1,275 1,265				
2.4 Asurion LLC. Bank Loan 5.522% 11/3/24 3,094 2,948					Steel Dynamics Inc. 4.125% 9/15/25 70 65				
Genworth Holdings Inc. 7.700% 6/15/20 130 131					Steel Dynamics Inc. 5.000% 12/15/26 270 256				
Genworth Holdings Inc. 7.200% 2/15/21 830 816					3 Teck Resources Ltd. 8.500% 6/1/24 1,395 1,510				
Genworth Holdings Inc. 7.625% 9/24/21 760 743					Teck Resources Ltd. 6.125% 10/1/35 235 226				
Genworth Holdings Inc. 4.900% 8/15/23 1,475 1,232					Teck Resources Ltd. 6.000% 8/15/40 200 186				
Genworth Holdings Inc. 4.800% 2/15/24 475 380					Teck Resources Ltd. 6.250% 7/15/41 645 610				
3 Liberty Mutual Group Inc. 7.800% 3/15/37 1,560 1,669					Teck Resources Ltd. 5.200% 3/1/42 150 126				
MGIC Investment Corp. 5.750% 8/15/23 725 721					Teck Resources Ltd. 5.400% 2/1/43 1,450 1,262				
1 Radian Group Inc. 4.500% 10/1/24 2,115 1,919					3 Tronox Finance plc 5.750% 10/1/25 275 223				
1 Voya Financial Inc. 5.650% 5/15/53 2,725 2,551					3 Tronox Inc. 6.500% 4/15/26 2,725 2,269				
Other Finance (0.4%)					3 United States Steel Corp. 6.650% 6/1/37 460 350				
2.4 CNO Financial Group Inc. 5.250% 5/30/25 1,785 1,714					3 Versum Materials Inc. 5.500% 9/30/24 640 634				
2.4 Trans Union LLC Bank Loan 4.522% 6/19/25 1,134 1,089									

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Capital Goods (10.2%)									
³ American Builders & Contractors Supply Co. Inc.	5.875%	5/15/26	1,840	1,748	³ Altice Luxembourg SA	7.750%	5/15/22	1,850	1,686
³ ARD Finance SA	7.125%	9/15/23	1,140	1,032	³ Altice Luxembourg SA Belo Corp.	7.625%	2/15/25	1,200	900
³ ARD Finance SA	7.125%	9/15/23	655	593	Belo Corp.	7.750%	6/1/27	920	971
³ Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,765	1,754	Belo Corp.	7.250%	9/15/27	667	687
³ Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	6.000%	2/15/25	3,365	3,100	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	250
^{3.6} Ardagh Packaging Finance plc / Ardagh Holdings USA Inc.	4.750%	7/15/27	160	184	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	363
³ Ashtead Capital Inc.	4.125%	8/15/25	1,325	1,209	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	390
³ Ashtead Capital Inc.	5.250%	8/1/26	545	526	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	5/1/23	2,990	2,915
³ Ashtead Capital Inc.	4.375%	8/15/27	1,545	1,390	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	9/1/23	1,150	1,144
Ball Corp.	4.875%	3/15/26	2,815	2,741	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	450	447
³ Beacon Escrow Corp.	4.875%	11/1/25	2,285	1,994	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,516	2,412
³ Berry Global Inc.	4.500%	2/15/26	1,360	1,251	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,421
³ Bombardier Inc.	7.750%	3/15/20	2,350	2,382	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,386	1,334
³ Bombardier Inc.	5.750%	3/15/22	675	635	³ CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	445	434
³ Bombardier Inc.	6.125%	1/15/23	2,698	2,529	CenturyLink Inc.	5.800%	3/15/22	128	123
³ Bombardier Inc.	7.500%	12/1/24	460	434	CenturyLink Inc.	6.750%	12/1/23	325	313
³ Bombardier Inc.	7.500%	3/15/25	1,412	1,331	Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	1,191	1,226
³ CD&R Waterworks Merger Sub LLC	6.125%	8/15/25	160	141	^{2.4} Crown Finance US Inc. Bank Loan	5.022%	2/22/25	3,662	3,465
³ Cemex SAB de CV	6.125%	5/5/25	3,580	3,490	CSC Holdings LLC	6.750%	11/15/21	1,735	1,787
³ Cemex SAB de CV	7.750%	4/16/26	735	774	³ CSC Holdings LLC	5.125%	12/15/21	1,935	1,891
Clean Harbors Inc.	5.125%	6/1/21	2,033	2,018	³ CSC Holdings LLC	5.500%	5/15/26	2,500	2,366
³ Crown Americas LLC / Crown Americas Capital Corp. VI	4.750%	2/1/26	710	672	³ CSC Holdings LLC	5.500%	4/15/27	2,610	2,440
^{3.5} Crown European Holdings SA	2.875%	2/1/26	1,555	1,706	DISH DBS Corp.	6.750%	6/1/21	4,530	4,473
³ Flex Acquisition Co. Inc.	6.875%	1/15/25	4,000	3,560	DISH DBS Corp.	5.875%	7/15/22	3,746	3,446
³ Jeld-Wen Inc.	4.625%	12/15/25	345	304	DISH DBS Corp.	5.000%	3/15/23	1,384	1,156
³ Jeld-Wen Inc.	4.875%	12/15/27	350	301	DISH DBS Corp.	5.875%	11/15/24	2,405	1,936
³ LANXESS AG	6.000%	4/1/24	290	288	DISH DBS Corp.	7.750%	7/1/26	3,610	2,987
³ Lennar Corp.	4.750%	11/29/27	1,285	1,166	Embarq Corp.	7.995%	6/1/36	720	648
^{3.5} Loxam SAS	4.250%	4/15/24	190	219	Gannett Co. Inc.	6.375%	10/15/23	1,140	1,141
^{3.5} Loxam SAS	6.000%	4/15/25	185	213	³ Gray Escrow Inc.	7.000%	5/15/27	415	404
³ OI European Group BV	4.000%	3/15/23	660	617	³ Gray Television Inc.	5.125%	10/15/24	1,721	1,592
³ Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	897	³ Gray Television Inc.	5.875%	7/15/26	1,170	1,094
³ Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	351	Level 3 Financing Inc.	5.375%	8/15/22	2,515	2,465
PulteGroup Inc.	5.500%	3/1/26	1,730	1,669	Level 3 Financing Inc.	5.625%	2/1/23	870	857
Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	955	952	Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,084
³ Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	2,240	2,106	Liberty Interactive LLC	8.500%	7/15/29	1,465	1,465
³ Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	417	Liberty Interactive LLC	8.250%	2/1/30	3,945	3,886
³ Standard Industries Inc.	5.500%	2/15/23	295	289	Nokia Oyj	4.375%	6/12/27	1,555	1,435
³ Standard Industries Inc.	5.375%	11/15/24	1,385	1,304	Quebecor Media Inc.	5.750%	1/15/23	2,635	2,648
³ Standard Industries Inc.	6.000%	10/15/25	4,295	4,086	Qwest Corp.	6.875%	9/15/33	481	430
³ Standard Industries Inc.	5.000%	2/15/27	495	435	³ Sinclair Television Group Inc.	5.625%	8/1/24	200	188
³ Standard Industries Inc.	4.750%	1/15/28	1,025	855	³ Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,562
TransDigm Inc.	6.500%	7/15/24	2,330	2,263	³ Sinclair Television Group Inc.	5.125%	2/15/27	1,975	1,750
TransDigm Inc.	6.500%	5/15/25	2,635	2,520	Sprint Capital Corp.	6.875%	11/15/28	4,430	4,175
TransDigm Inc.	6.375%	6/15/26	1,250	1,164	Sprint Capital Corp.	8.750%	3/15/32	2,170	2,289
United Rentals North America Inc.	5.750%	11/15/24	600	578	³ Sprint Communications Inc.	7.000%	3/1/20	2,285	2,336
United Rentals North America Inc.	5.500%	7/15/25	1,025	963	Sprint Communications Inc.	6.000%	11/15/22	755	739
United Rentals North America Inc.	4.625%	10/15/25	1,665	1,494	Sprint Corp.	7.875%	9/15/23	8,559	8,784
United Rentals North America Inc.	5.875%	9/15/26	1,955	1,857	Sprint Corp.	7.125%	6/15/24	2,101	2,083
United Rentals North America Inc.	6.500%	12/15/26	1,590	1,566	Sprint Corp.	7.625%	2/15/25	1,625	1,637
United Rentals North America Inc.	5.500%	5/15/27	2,125	1,971	T-Mobile USA Inc.	5.375%	4/15/27	3,155	3,037
United Rentals North America Inc.	4.875%	1/15/28	2,095	1,838	³ TEGNA Inc.	5.500%	9/15/24	305	296
³ USG Corp.	5.500%	3/1/25	263	264	Telecom Italia Capital SA	6.375%	11/15/33	381	342
³ USG Corp.	4.875%	6/1/27	1,430	1,439	Telecom Italia Capital SA	6.000%	9/30/34	1,005	873
					Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,256
Communication (19.1%)					³ Telenet Finance Luxembourg Notes Sarl	5.500%	3/1/28	3,600	3,247
³ Alice Financing SA	6.625%	2/15/23	1,875	1,798	Time Warner Cable LLC	5.875%	11/15/40	60	56
³ Alice France SA	6.250%	5/15/24	1,930	1,800	Time Warner Cable LLC	5.500%	9/1/41	1,223	1,113
³ Alice France SA	7.375%	5/1/26	1,150	1,055					

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)	
³ Univision Communications Inc.	5.125%	5/15/23	550	494		Meritage Homes Corp.	5.125%	6/6/27	505	429
³ Univision Communications Inc.	5.125%	2/15/25	5,740	5,023		Neiman Marcus Group Inc.	7.125%	6/1/28	1,820	1,256
³ UPCB Finance IV Ltd.	5.375%	1/15/25	1,400	1,311	³	PetSmart Inc.	5.875%	6/1/25	1,500	1,091
¹ Viacom Inc.	5.875%	2/28/57	2,560	2,330		PulteGroup Inc.	5.000%	1/15/27	130	118
¹ Viacom Inc.	6.250%	2/28/57	944	852		Service Corp. International	8.000%	11/15/21	1,225	1,299
Videotron Ltd.	5.000%	7/15/22	3,763	3,763		Service Corp. International	5.375%	1/15/22	905	905
³ Videotron Ltd.	5.375%	6/15/24	260	259		Service Corp. International	4.625%	12/15/27	205	192
³ Virgin Media Finance plc	6.000%	10/15/24	1,145	1,101	³	Shea Homes LP / Shea Homes Funding Corp.	5.875%	4/1/23	450	407
³ Virgin Media Secured Finance plc	5.500%	1/15/25	1,210	1,201		Shea Homes LP / Shea Homes Funding Corp.	6.125%	4/1/25	450	398
³ Virgin Media Secured Finance plc	5.250%	1/15/26	2,917	2,665	³	Toll Brothers Finance Corp.	4.875%	11/15/25	295	277
³ Virgin Media Secured Finance plc	5.500%	8/15/26	355	327		Toll Brothers Finance Corp.	4.875%	3/15/27	1,955	1,774
³ VTR Finance BV	6.875%	1/15/24	2,521	2,486		William Lyon Homes Inc.	7.000%	8/15/22	450	448
³ WMG Acquisition Corp.	5.000%	8/1/23	740	723		William Lyon Homes Inc.	5.875%	1/31/25	1,415	1,206
³ WMG Acquisition Corp.	4.875%	11/1/24	1,105	1,058	³	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.500%	3/1/25	565	528
³ WMG Acquisition Corp.	5.500%	4/15/26	2,651	2,532		Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.	5.250%	5/15/27	507	447
Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,141						
Zayo Group LLC / Zayo Capital Inc.	6.375%	5/15/25	1,674	1,557						
Zayo Group LLC / Zayo Capital Inc.	5.750%	1/15/27	445	396						
Consumer Cyclical (10.3%)					Consumer Noncyclical (12.2%)					
³ 1011778 BC ULC / New Red Finance Inc.	4.250%	5/15/24	2,097	1,921	³	Aramark Services Inc.	5.125%	1/15/24	975	962
³ 1011778 BC ULC / New Red Finance Inc.	5.000%	10/15/25	2,795	2,543	³	Aramark Services Inc.	5.000%	4/1/25	1,400	1,365
³ Adient Global Holdings Ltd.	4.875%	8/15/26	4,720	3,617	³	Aramark Services Inc.	4.750%	6/1/26	580	542
³ APX Group Inc.	8.875%	12/1/22	4,155	3,989	³	Aramark Services Inc.	5.000%	2/1/28	1,465	1,362
^{2,4} Bass Pro Group, LLC Bank Loan	7.522%	12/15/23	1,911	1,825	³	Bausch Health Cos. Inc.	5.500%	11/1/25	1,685	1,571
Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp. / Millennium Op	5.375%	4/15/27	775	732	³	Catalent Pharma Solutions Inc.	4.875%	1/15/26	427	402
Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp.	5.375%	6/1/24	835	816	³	Change Healthcare Holdings LLC / Change Healthcare Finance Inc.	5.750%	3/1/25	2,000	1,870
³ CRC Escrow Issuer LLC / CRC Finco Inc.	5.250%	10/15/25	5,179	4,519	³	CHS/Community Health Systems Inc.	5.125%	8/1/21	525	487
Dana Holding Corp.	5.500%	12/15/24	1,055	982	³	CHS/Community Health Systems Inc.	6.875%	2/1/22	3,754	1,689
³ Delta Merger Sub Inc.	6.000%	9/15/26	1,645	1,555	³	CHS/Community Health Systems Inc.	6.250%	3/31/23	3,450	3,127
GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	104	³	CHS/Community Health Systems Inc.	8.125%	6/30/24	1,428	1,021
GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,656	³	Coty Inc.	6.500%	4/15/26	120	103
GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,810	1,778	^{3,5}	Darling Global Finance BV	3.625%	5/15/26	395	448
GLP Capital LP / GLP Financing II Inc.	5.300%	1/15/29	1,630	1,595	^{3,5}	Diamond BC BV	5.625%	8/15/25	3,235	3,139
Goodyear Tire & Rubber Co.	5.000%	5/31/26	2,009	1,803	³	Endo Dac / Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,845	2,041
Goodyear Tire & Rubber Co.	4.875%	3/15/27	3,278	2,893	³	Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,985	2,269
³ GW Honos Security Corp.	8.750%	5/15/25	1,385	1,260	^{3,5}	Energizer Gamma Acquisition BV	4.625%	7/15/26	1,350	1,440
³ Hanesbrands Inc.	4.625%	5/15/24	730	681	³	Energizer Gamma Acquisition Inc.	6.375%	7/15/26	1,105	1,014
³ Hanesbrands Inc.	4.875%	5/15/26	735	662		HCA Inc.	6.250%	2/15/21	870	890
Hilton Domestic Operating Co. Inc.	4.250%	9/1/24	1,770	1,673		HCA Inc.	5.875%	3/15/22	1,850	1,901
³ Hilton Domestic Operating Co. Inc.	5.125%	5/1/26	2,685	2,571		HCA Inc.	4.750%	5/1/23	2,100	2,068
Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.625%	4/1/25	3,025	2,866		HCA Inc.	5.875%	5/1/23	1,000	1,013
Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.875%	4/1/27	2,400	2,250		HCA Inc.	5.375%	2/1/25	1,955	1,906
KB Home	4.750%	5/15/19	830	828		HCA Inc.	5.250%	4/15/25	1,500	1,492
KB Home	7.000%	12/15/21	230	234		HCA Inc.	7.690%	6/15/25	130	138
KB Home	7.500%	9/15/22	215	221		HCA Inc.	5.875%	2/15/26	1,900	1,890
KB Home	7.625%	5/15/23	1,300	1,310		HCA Inc.	5.250%	6/15/26	975	965
³ KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	815	787	³	Hologic Inc.	4.625%	2/1/28	570	516
³ KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	872	844	³	inVentiv Group Holdings Inc./inVentiv Health Inc./inVentiv Health Clinical Inc.	7.500%	10/1/24	438	456
³ KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.750%	6/1/27	935	870	^{2,4}	Kinetic Concepts Inc. / KCI USA Inc.	7.875%	2/15/21	1,570	1,586
L Brands Inc.	6.694%	1/15/27	1,287	1,207	³	Lands' End, Inc. Bank Loan	5.772%	3/12/21	2,873	2,713
L Brands Inc.	5.250%	2/1/28	1,301	1,112	³	MEDNAX Inc.	5.250%	12/1/23	155	152
Lennar Corp.	4.125%	1/15/22	1,015	974	³	MPH Acquisition Holdings LLC	7.125%	6/1/24	1,590	1,483
Lennar Corp.	4.875%	12/15/23	625	602	³	Polaris Intermediate Corp.	8.500%	12/1/22	2,565	2,341
Lennar Corp.	4.500%	4/30/24	3,015	2,842	³	Post Holdings Inc.	5.500%	3/1/25	1,545	1,479
Lennar Corp.	5.875%	11/15/24	140	140	³	Post Holdings Inc.	5.000%	8/15/26	4,100	3,731
Lennar Corp.	5.250%	6/1/26	270	257	³	Post Holdings Inc.	5.750%	3/1/27	970	908
Lennar Corp.	5.000%	6/15/27	1,245	1,142	³	Post Holdings Inc.	5.625%	1/15/28	2,720	2,509
^{3,5} LHMC Finco Sarl	6.250%	12/20/23	1,310	1,516	³	Quintiles IMS Inc.	5.000%	10/15/26	1,330	1,270
³ LHMC Finco Sarl	7.875%	12/20/23	1,720	1,707	³	Quintiles Transnational Holdings Inc.	4.875%	5/15/23	750	731
					³	Revlon Consumer Products Corp.	5.750%	2/15/21	570	416
					^{2,4}	Revlon Consumer Products Corp.	6.250%	8/1/24	2,130	1,086
					^{2,4}	Revlon Consumer Products Corp. Bank Loan	6.207%	9/7/23	597	420
					^{2,4}	Revlon Consumer Products Corp. Bank Loan	6.207%	9/7/23	176	124

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		
2,4	Revlon Consumer Products Corp. Bank Loan	8.000%	9/7/23	2	1	3	Parsley Energy LLC / Parsley Finance Corp.	5.250%	8/15/25	190	174
3	Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,915	1,829		QEP Resources Inc.	6.800%	3/1/20	220	221
3	Sterigenics-Nordion Topco LLC	8.125%	11/1/21	725	671		QEP Resources Inc.	5.375%	10/1/22	1,270	1,168
	Tenet Healthcare Corp.	4.750%	6/1/20	835	831		QEP Resources Inc.	5.250%	5/1/23	1,262	1,117
	Tenet Healthcare Corp.	4.500%	4/1/21	932	904	3	Rockies Express Pipeline LLC	7.500%	7/15/38	1,134	1,236
	Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,423	3	Rockies Express Pipeline LLC	6.875%	4/15/40	420	437
	Tenet Healthcare Corp.	4.625%	7/15/24	279	260		Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,324
	Teva Pharmaceutical Finance Netherlands III BV	3.150%	10/1/26	2,120	1,641		SESI LLC	7.125%	12/15/21	990	837
	Teva Pharmaceutical Finance Netherlands III BV	6.750%	3/1/28	2,165	2,097		SESI LLC	7.750%	9/15/24	1,045	828
	Teva Pharmaceutical Finance Netherlands III BV	4.100%	10/1/46	300	200		SM Energy Co.	6.125%	11/15/22	935	884
3	TreeHouse Foods Inc.	6.000%	2/15/24	1,800	1,784		SM Energy Co.	5.000%	1/15/24	1,994	1,725
3	Valeant Pharmaceuticals International Inc.	9.250%	4/1/26	520	519		SM Energy Co.	5.625%	6/1/25	1,651	1,428
3	Valeant Pharmaceuticals International Inc.	6.500%	3/15/22	620	625		SM Energy Co.	6.750%	9/15/26	720	644
3	Valeant Pharmaceuticals International Inc.	7.000%	3/15/24	1,090	1,104		SM Energy Co.	6.625%	1/15/27	500	445
3	Valeant Pharmaceuticals International Inc.	9.000%	12/15/25	815	813	3	Southern Star Central Corp.	5.125%	7/15/22	480	461
3	Valeant Pharmaceuticals International Inc.	8.500%	1/31/27	1,600	1,548		Southwestern Energy Co.	6.200%	1/23/25	2,693	2,424
3	VRX Escrow Corp.	6.125%	4/15/25	5,700	4,945		Southwestern Energy Co.	7.750%	10/1/27	591	564
3	West Street Merger Sub Inc.	6.375%	9/1/25	4,050	3,604		Sunoco LP / Sunoco Finance Corp.	5.500%	2/15/26	1,029	972
	Energy (11.6%)					3	Sunoco LP / Sunoco Finance Corp.	5.875%	3/15/28	490	464
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,395	1,311	3	Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp.	4.750%	10/1/23	1,280	1,254
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,765	1,589	3	Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp.	5.500%	1/15/28	1,845	1,790
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.500%	5/20/25	620	564	1,3	Transocean Guardian Ltd.	5.875%	1/15/24	1,767	1,692
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.750%	5/20/27	1,745	1,560	1,3	Transocean Phoenix 2 Ltd.	7.750%	10/15/24	816	812
	Andeavor Logistics LP / Tesoro Logistics Finance Corp.	5.250%	1/15/25	1,510	1,544	1,3	Transocean Pontus Ltd.	6.125%	8/1/25	1,346	1,299
	Antero Resources Corp.	5.125%	12/1/22	1,445	1,358	1,3	Transocean Proteus Ltd.	6.250%	12/1/24	772	749
	Cheniere Corpus Christi Holdings LLC	5.125%	6/30/27	1,233	1,159	3	Vine Oil & Gas LP / Vine Oil & Gas Finance Corp.	8.750%	4/15/23	1,915	1,494
	Chesapeake Energy Corp.	7.500%	10/1/26	975	829		Weatherford International Ltd.	7.000%	3/15/38	517	266
	Chesapeake Energy Corp.	8.000%	6/15/27	3,125	2,656		Weatherford International Ltd.	6.750%	9/15/40	1,918	988
3	DCP Midstream LLC	5.350%	3/15/20	335	336		Weatherford International Ltd.	5.950%	4/15/42	1,970	995
	DCP Midstream Operating LP	2.700%	4/1/19	600	594		Whiting Petroleum Corp.	6.625%	1/15/26	3,281	2,805
3	DCP Midstream Operating LP	4.750%	9/30/21	597	591		WPX Energy Inc.	6.000%	1/15/22	732	710
	DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,422		WPX Energy Inc.	5.250%	9/15/24	3,734	3,379
	DCP Midstream Operating LP	3.875%	3/15/23	801	753		WPX Energy Inc.	5.750%	6/1/26	370	335
	DCP Midstream Operating LP	5.600%	4/1/44	875	739		Other Industrial (0.6%)				
	Diamondback Energy Inc.	4.750%	11/1/24	175	169	3	Brand Energy & Infrastructure Services Inc.	8.500%	7/15/25	3,222	2,730
	Diamondback Energy Inc.	5.375%	5/31/25	1,130	1,113	2,4	HD Supply Waterworks Ltd. Bank Loan	5.707%	8/1/24	142	137
	Energy Transfer Equity LP	7.500%	10/15/20	2,160	2,257	2,4	HD Supply Waterworks Ltd. Bank Loan	5.738%	8/1/24	126	121
	Energy Transfer Equity LP	5.875%	1/15/24	1,656	1,689	3	KAR Auction Services Inc.	5.125%	6/1/25	1,295	1,169
	Energy Transfer LP	5.500%	6/1/27	3,592	3,502		Technology (7.3%)				
	Energy Transfer LP	4.250%	3/15/23	2,430	2,327		Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,375
	Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,560	2,118		Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,612	2,547
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	1/15/22	474	386		CDK Global Inc.	5.875%	6/15/26	615	615
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	6/15/23	769	623		CDK Global Inc.	4.875%	6/1/27	585	543
	Laredo Petroleum Inc.	5.625%	1/15/22	2,107	1,907		CDW LLC / CDW Finance Corp.	5.000%	9/1/23	985	968
	Laredo Petroleum Inc.	6.250%	3/15/23	2,158	1,931		CDW LLC / CDW Finance Corp.	5.500%	12/1/24	185	183
	Matador Resources Co.	5.875%	9/15/26	3,315	3,050		CDW LLC / CDW Finance Corp.	5.000%	9/1/25	910	874
3	MEG Energy Corp.	6.375%	1/30/23	850	808		Equinix Inc.	5.375%	4/1/23	520	517
3	MEG Energy Corp.	7.000%	3/31/24	1,439	1,367	5	Equinix Inc.	2.875%	2/1/26	3,115	3,377
3	MEG Energy Corp.	6.500%	1/15/25	2,850	2,886		Equinix Inc.	5.375%	5/15/27	1,350	1,323
3	NGPL PipeCo LLC	4.375%	8/15/22	400	391	3	First Data Corp.	5.375%	8/15/23	2,265	2,225
3	NGPL PipeCo LLC	4.875%	8/15/27	475	451	3	First Data Corp.	5.000%	1/15/24	1,500	1,440
3	Noble Holding International Ltd.	7.875%	2/1/26	460	394	3	First Data Corp.	5.750%	1/15/24	4,651	4,535
3	Parsley Energy LLC / Parsley Finance Corp.	5.375%	1/15/25	1,344	1,243	2,4	First Data Corp. Bank Loan	4.504%	7/8/22	395	378
						4,7	Grizzly Acquisitions Inc. Bank Loan	5.646%	10/1/25	743	726
							Infor US Inc.	6.500%	5/15/22	3,060	2,945
							Iron Mountain Inc.	5.750%	8/15/24	1,032	982
						3	Iron Mountain Inc.	4.875%	9/15/27	1,245	1,086
						4,7	Messer Industries Bank Loan	0.000%	10/1/25	745	710
						2,4	Microchip Technology Inc. Bank Loan	4.530%	5/24/25	1,008	954
						3	MSCI Inc.	5.250%	11/15/24	395	395
						3	MSCI Inc.	5.750%	8/15/25	1,560	1,568

High Yield Bond Portfolio

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
³ MSCI Inc.	4.750%	8/1/26	210	199
NCR Corp.	4.625%	2/15/21	1,555	1,516
Nokia Oyj	6.625%	5/15/39	3,550	3,603
³ Open Text Corp.	5.625%	1/15/23	1,070	1,070
³ Open Text Corp.	5.875%	6/1/26	1,345	1,318
Pitney Bowes Inc.	4.950%	4/1/23	2,060	1,818
³ Sensata Technologies BV	5.625%	11/1/24	575	570
³ Sensata Technologies BV	5.000%	10/1/25	1,625	1,538
³ Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,528
^{2,4} SS&C Technologies Holdings Inc. Bank Loan	4.772%	4/16/25	681	644
^{2,4} SS&C Technologies Holdings Inc. Bank Loan	4.772%	4/16/25	1,796	1,695
^{2,4} SS&C Technologies Holdings Inc. Bank Loan	4.772%	4/16/25	683	644
³ Symantec Corp.	5.000%	4/15/25	2,380	2,223
^{3,6} Vantiv LLC / Vanity Issuer Corp.	3.875%	11/15/25	1,355	1,614
³ Vantiv LLC / Vanity Issuer Corp.	4.375%	11/15/25	1,275	1,160
Transportation (0.4%)				
Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,028	1,962
³ Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	715	683
			553,700	
Utilities (1.3%)				
Electric (1.3%)				
AES Corp.	4.500%	3/15/23	1,385	1,350
AES Corp.	4.875%	5/15/23	600	587
AES Corp.	5.500%	4/15/25	150	149
AES Corp.	6.000%	5/15/26	30	30
AES Corp.	5.125%	9/1/27	2,115	2,036
³ NextEra Energy Operating Partners LP	4.250%	9/15/24	645	597
³ NextEra Energy Operating Partners LP	4.500%	9/15/27	700	623
NRG Energy Inc.	6.250%	5/1/24	2,456	2,493
NRG Energy Inc.	7.250%	5/15/26	1,310	1,367
			9,232	
Total Corporate Bonds (Cost \$689,574)				640,376
Sovereign Bonds (0.2%)				
³ DAE Funding LLC	4.500%	8/1/22	825	788
³ DAE Funding LLC	5.000%	8/1/24	850	820
Total Sovereign Bonds (Cost \$1,675)				1,608
			Shares	
Common Stocks (0.2%)				
Utilities (0.2%)				
^{*,8} Homer City Generation LP (Cost \$1,287)			62,633	1,287

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Temporary Cash Investment (7.3%)				
Repurchase Agreement (7.3%)				
Bank of America Securities, LLC (Dated 12/31/18, Repurchase Value \$51,609,000, collateralized by Government National Mortgage Assn., 4.500%, 12/20/48, with a value of \$52,632,000) (Cost \$51,600)				
	3.000%	1/2/19	51,600	51,600
Total Investments (98.7%) (Cost \$744,136)				694,871
				Amount (\$000)
Other Assets and Liabilities (1.3%)				
Other Assets				
Investment in Vanguard				38
Receivables for Investment Securities Sold				50
Receivables for Accrued Income				10,669
Receivables for Capital Shares Issued				578
Variation Margin Receivable—CC Swap Contracts				18
Unrealized Appreciation—Forward Currency Contracts				38
Other Assets ⁹				1,119
Total Other Assets				12,510
Liabilities				
Payables for Investment Securities Purchased				(778)
Payables for Capital Shares Redeemed				(1,900)
Payables to Vanguard				(772)
Unrealized Depreciation—Forward Currency Contracts				(14)
Total Liabilities				(3,464)
Net Assets (100%)				
Applicable to 93,524,967 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)				703,917
Net Asset Value Per Share				\$7.53

At December 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	719,140
Total Distributable Earnings (Loss)	(15,223)
Net Assets	703,917

* See Note A in Notes to Financial Statements.

* Non-income-producing security.

1 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.

2 Adjustable-rate security based upon 3-month USD LIBOR plus spread.

3 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, 2018, the aggregate value of these securities was \$272,901,000, representing 38.8% of net assets.

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, 2018, the aggregate value of these securities was \$21,151,000, representing 3.0% of net assets.

5 Face amount denominated in euro.

6 Face amount denominated in British pounds.

7 Adjustable-rate security.

8 Security value determined using significant unobservable inputs.

9 Cash of \$465,000 has been segregated as initial margin for open cleared swap contracts. CC—Centrally Cleared.

Derivative Financial Instruments Outstanding as of Period End

Forward Currency Contracts

Counterparty	Contract Settlement Date		Contract Amount (000)		Unrealized Appreciation (Depreciation) (\$000)
			Receive	Deliver	
Bank of America, N.A.	1/31/19	USD	14,101	EUR 12,241	38
Barclays Bank plc	1/31/19	USD	1,874	GBP 1,479	(14)
					24

EUR—euro.

GBP—British pound.

USD—U.S. dollar.

Centrally Cleared Credit Default Swaps

Reference Entity	Termination Date	Notional Amount (000)	Periodic Premium Received (Paid) ¹ (%)	Value (\$000)	Unrealized Appreciation (Depreciation) (\$000)
Credit Protection Sold					
CDX-NA-HY-S31-V1	12/20/23	USD 9,400	5.000	199	(386)

The notional amount represents the maximum potential amount the fund could be required to pay as a seller of credit protection if the reference entity was subject to a credit event.

¹ Periodic premium received/paid quarterly.

USD—U.S. dollar.

Statement of Operations

	Year Ended December 31, 2018
	(\$000)
Investment Income	
Income	
Interest	41,673
Total Income	41,673
Expenses	
Investment Advisory Fees—Note B	442
The Vanguard Group—Note C	
Management and Administrative	1,279
Marketing and Distribution	123
Custodian Fees	19
Auditing Fees	36
Shareholders' Reports	17
Trustees' Fees and Expenses	1
Total Expenses	1,917
Net Investment Income	39,756
Realized Net Gain (Loss)	
Investment Securities Sold	3,693
Swap Contracts	659
Forward Currency Contracts	991
Foreign Currencies	(14)
Realized Net Gain (Loss)	5,329
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(65,199)
Swap Contracts	(495)
Forward Currency Contracts	121
Foreign Currencies	(2)
Change in Unrealized Appreciation (Depreciation)	(65,575)
Net Increase (Decrease) in Net Assets Resulting from Operations	(20,490)

Statement of Changes in Net Assets

	Year Ended December 31,	
	2018	2017
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	39,756	35,653
Realized Net Gain (Loss)	5,329	1,606
Change in Unrealized Appreciation (Depreciation)	(65,575)	7,428
Net Increase (Decrease) in Net Assets Resulting from Operations	(20,490)	44,687
Distributions		
Net Investment Income	(35,316)	(31,351)
Realized Capital Gain	—	—
Total Distributions	(35,316)	(31,351)
Capital Share Transactions		
Issued	118,985	177,943
Issued in Lieu of Cash Distributions	35,316	31,351
Redeemed	(146,831)	(92,546)
Net Increase (Decrease) from Capital Share Transactions	7,470	116,748
Total Increase (Decrease)	(48,336)	130,084
Net Assets		
Beginning of Period	752,253	622,169
End of Period	703,917	752,253

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$8.13	\$7.99	\$7.59	\$8.14	\$8.24
Investment Operations					
Net Investment Income	.420 ¹	.419 ¹	.397	.427	.416
Net Realized and Unrealized Gain (Loss) on Investments	(.636)	.119	.426	(.541)	(.061)
Total from Investment Operations	(.216)	.538	.823	(.114)	.355
Distributions					
Dividends from Net Investment Income	(.384)	(.398)	(.423)	(.423)	(.455)
Distributions from Realized Capital Gains	—	—	—	(.013)	—
Total Distributions	(.384)	(.398)	(.423)	(.436)	(.455)
Net Asset Value, End of Period	\$7.53	\$8.13	\$7.99	\$7.59	\$8.14
Total Return	-2.73%	7.00%	11.35%	-1.58%	4.40%
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	\$704	\$752	\$622	\$521	\$534
Ratio of Total Expenses to Average Net Assets	0.26%	0.28%	0.28%	0.28%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.39%	5.22%	5.44%	5.41%	5.24%
Portfolio Turnover Rate	23%	28%	27%	38%	35%

¹ Calculated based on average shares outstanding.

Notes to Financial Statements

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.

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 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 assets pledged as collateral for open contracts are noted in the Statement of Net Assets. 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 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 forward currency contract gains (losses).

During the year ended December 31, 2018, the portfolio's average investment in forward currency contracts represented 2% of net assets, based on the average of 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 Net Assets. 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 Net Assets 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'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 Statement of Net Assets. 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, 2018, the portfolio's average amounts of investments in credit protection sold and credit protection purchased represented 3% and less than 1% of net assets, respectively, based on the average of notional amounts at each quarter-end during the period.

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. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2015–2018), and has concluded that no provision for federal 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 and may differ from net investment income and realized capital gains for financial reporting purposes.

8. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 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 December 31, 2018, or at any time during the period then ended.

9. Other: Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. 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, 2018, the investment advisory fee represented an effective annual 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. 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 December 31, 2018, the portfolio had contributed to Vanguard capital in the amount of \$38,000, representing 0.01% of the portfolio's net assets and 0.02% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the portfolio's investments as of December 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Corporate Bonds	—	640,376	—
Sovereign Bonds	—	1,608	—
Common Stocks	—	—	1,287
Temporary Cash Investments	—	51,600	—
Forward Currency Contracts—Assets	—	38	—
Forward Currency Contracts—Liabilities	—	(14)	—
Swap Contracts—Assets ¹	18	—	—
Total	18	693,608	1,287

¹ Represents variation margin on the last day of the reporting period.

E. At December 31, 2018, the fair values of derivatives were reflected in the Statement of Net Assets as follows:

Statement of Net Assets Caption	Foreign Exchange Contracts (\$000)	Credit Contracts (\$000)	Total (\$000)
Variation Margin Receivable—Swap Contracts	—	18	18
Unrealized Appreciation—Forward Currency Contracts	38	—	38
Total Assets	38	18	56
Unrealized Depreciation—Forward Currency Contracts	(14)	—	(14)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the year ended December 31, 2018, were:

	Foreign Exchange Contracts (\$000)	Credit Contracts (\$000)	Total (\$000)
Realized Net Gain (Loss) on Derivatives			
Forward Currency Contracts	991	—	991
Swap Contracts	—	659	659
Realized Net Gain (Loss) on Derivatives	991	659	1,650
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	121	—	121
Swap Contracts	—	(495)	(495)
Change in Unrealized Appreciation (Depreciation) on Derivatives	121	(495)	(374)

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).

	Amount (\$000)
Paid-in Capital	—
Total Distributable Earnings (Loss)	—

Temporary differences between book-basis and tax-basis components of total distributable earnings (losses) 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 tax deferral of losses on wash sales; forward currency contracts, and swap agreements. 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	40,822
Undistributed Long-Term Gains	—
Capital Loss Carryforwards (Non-expiring)	(6,381)
Net Unrealized Gains (Losses)	(49,652)

As of December 31, 2018, 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	744,136
Gross Unrealized Appreciation	2,192
Gross Unrealized Depreciation	(51,843)
Net Unrealized Appreciation (Depreciation)	(49,651)

G. During the year ended December 31, 2018, the portfolio purchased \$150,662,000 of investment securities and sold \$147,368,000 of investment securities, other than U.S. government securities and temporary cash investments. There were no purchases or sales of U.S. government securities during the period.

H. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2018 Shares (000)	2017 Shares (000)
Issued	15,135	22,124
Issued in Lieu of Cash Distributions	4,616	4,066
Redeemed	(18,772)	(11,491)
Net Increase (Decrease) in Shares Outstanding	979	14,699

At December 31, 2018, 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 46% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no events or transactions occurred subsequent to December 31, 2018, 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 net assets of High Yield Bond Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 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, 2018 by correspondence with the custodians 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 13, 2019

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

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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 212 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. 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.

Interested Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 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) of the Children's Hospital of Philadelphia.

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. Lead 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. Trustee of the National Constitution Center.

JoAnn Heffernan Heisen

Born in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its executive committee (1997–2008). Chief global diversity officer (retired 2008), vice president and chief information officer (1997–2006), controller (1995–1997), treasurer (1991–1995), and assistant treasurer (1989–1991) of Johnson & Johnson. Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation. Member of the advisory board of the Institute for Women's Leadership at Rutgers University.

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), Oxfam America, and the Lumina Foundation for Education. Director of the V Foundation for Cancer Research. 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 (1989–present) and vice president (1996–present) 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. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, 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: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York 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 LLC (private investment firm). Overseer of the Museum of Fine Arts Boston.

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 of i(x) Investments, LLC.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

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).

Executive Officers**Glenn Booraem**

Born in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

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

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) 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. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. 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.

Vanguard Senior Management Team

Joseph Brennan	Chris D. McIsaac
Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings

Chairman Emeritus and Senior Advisor**John J. Brennan**

Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder**John C. Bogle**

Chairman and Chief Executive Officer, 1974–1996



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