



**Semiannual Report** | June 30, 2018

# Vanguard Variable Insurance Fund

Equity Index Portfolio

## Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

**Goals.** Create clear, appropriate investment goals.

**Balance.** Develop a suitable asset allocation using broadly diversified funds.

**Cost.** Minimize cost.

**Discipline.** Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

## CEO's Perspective



**Tim Buckley**  
President and Chief Executive Officer

Dear Planholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO,

I'll keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

### **Steady, time-tested guidance**

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

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.

Mortimer J. Buckley  
President and Chief Executive Officer  
July 13, 2018

## Market Perspective

### U.S. stocks continued to climb, even with periods of volatility

U.S. stocks advanced over the six months ended June 30, 2018, although their path forward was marked by significant bouts of volatility. Corporate earnings remained strong and the U.S. economy continued to indicate growth. Investors worried, however, about high stock valuations, the possibility of inflation, and continued tightening of monetary policy by the Federal Reserve.

The Fed's June increase in the federal funds target rate by a quarter percentage point, to 1.75%–2%, was its second in 2018. In announcing it, Fed Chair Jerome Powell offered a positive assessment of the U.S. economy. The Fed has also continued to shrink the \$4.5 trillion balance sheet it had amassed since it began providing monetary stimulus in the wake of the 2007–2009 recession.

For the six months, the broad U.S. stock market returned 3.22%. U.S. large- and mid-capitalization stocks trailed small-caps, while growth stocks exceeded value. Among sectors, information technology, consumer discretionary, and energy posted the strongest returns. Consumer staples, communication services, and industrials fared the worst.

For U.S. investors, a stronger dollar hurt international stocks, which returned –3.83%. Developed European and Pacific markets declined, as did emerging markets.

### Bond returns were down as inflation concerns heightened

Bond yields rose and prices fell over the six months as inflation expectations rose, the labor market improved, and the Fed suggested that more rate hikes were in store for 2018. (Bond prices and yields move in opposite directions.)

The yield of the benchmark 10-year Treasury note closed the period at 2.86%, up from 2.41% at the end of December 2017. The broad U.S. bond market returned –1.62% for the period. U.S. Treasuries and mortgage-backed securities generally outpaced investment-grade corporate bonds.

International bonds returned –1.31%, as measured by the Barclays Global Aggregate Index ex USD. U.S. investors were hampered by the dollar's strengthening against many currencies. Without this currency impact, international bonds were up more than 1%.

### Market Barometer

	Total Returns Periods Ended June 30, 2018		
	Six Months	One Year	Five Years <sup>1</sup>
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	2.85%	14.54%	13.37%
Russell 2000 Index (Small-caps)	7.66	17.57	12.46
Russell 3000 Index (Broad U.S. market)	3.22	14.78	13.29
FTSE All-World ex US Index (International)	–3.83	7.28	6.35
<b>Bonds</b>			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	–1.62%	–0.40%	2.27%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	–0.25	1.56	3.53
FTSE Three-Month U.S. Treasury Bill Index	0.78	1.33	0.38
<b>CPI</b>			
Consumer Price Index	2.22%	2.87%	1.54%

<sup>1</sup> Annualized.

## Equity Index Portfolio

U.S. stocks faced high volatility but in aggregate posted modest gains for the first half of 2018. Investor concerns about monetary policy, trade tariffs, and rising inflation were countered by favorable job reports and corporate earnings. The Federal Reserve raised short-term interest rates in March and June and signaled that two more increases were likely during 2018. The yield on 10-year U.S. Treasuries topped 3% for the first time since 2014 but fell back as short-term rates increased, resulting in a flatter yield curve.

For the six months ended June 30, the Equity Index Portfolio of Vanguard Variable Insurance Fund returned 2.57%, closely tracking its benchmark index, the Standard & Poor's 500 Index. The portfolio outpaced the average return of its peer funds.

The table below shows the returns of your portfolio and its comparative standards for the period.

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.

### Consumer discretionary led sector returns

The Equity Index Portfolio provides exposure to the stocks of the largest U.S. companies. Stocks of every style and from every industry sector are represented. During the period, large- and mid-capitalization stocks lagged their small-cap counterparts, and growth stocks outpaced value.

Six of the portfolio's 11 industry sectors recorded gains. Consumer discretionary stocks returned more than 11%. Information technology, the largest sector, returned more than 10% and added most to results, as investors shook off concerns about greater regulatory scrutiny after widely publicized security and privacy breaches. Energy stocks also were strong contributors, as oil production cuts by OPEC and Russia helped drive oil inventories to three-year lows and boost oil prices. Health care, real estate, and utilities posted gains as well.

The consumer staples and telecommunication services sectors each declined more than -8%. Industrials, financials, and materials also lost ground. Consumer staples, financials, and industrials detracted most from returns.

### Total Returns

	Six Months Ended June 30, 2018
Equity Index Portfolio	2.57%
S&P 500 Index	2.65
Variable Insurance Large-Cap Core Funds Average <sup>1</sup>	1.74

### Expense Ratios<sup>2</sup>

Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance Large-Cap Core Funds Average
Equity Index Portfolio	0.15%	0.78%

<sup>1</sup> Derived from data provided by Lipper, a Thomson Reuters Company.

<sup>2</sup> The portfolio expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the portfolio's annualized expense ratio was 0.15%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

## Portfolio Profile

As of June 30, 2018

### Portfolio Characteristics

	Portfolio	Target Index <sup>1</sup>	Broad Index <sup>2</sup>
Number of Stocks	507	505	3,779
Median Market Cap	\$104.8B	\$104.8B	\$64.0B
Price/Earnings Ratio	21.0x	21.0x	20.7x
Price/Book Ratio	3.2x	3.2x	3.0x
Yield <sup>3</sup>	1.8%	1.9%	1.8%
Return on Equity	16.1%	16.1%	15.0%
Earnings Growth Rate	7.9%	7.9%	8.3%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate <sup>4</sup>	5%	—	—
Expense Ratio <sup>5</sup>	0.15%	—	—
Short-Term Reserves	-0.1%	—	—

### Volatility Measures

	Portfolio Versus Target Index <sup>1</sup>	Portfolio Versus Broad Index <sup>2</sup>
R-Squared	1.00	0.99
Beta	1.00	0.98

### Sector Diversification (% of equity exposure)

	Portfolio	Target Index <sup>1</sup>	Broad Index <sup>2</sup>
Consumer Discretionary	12.9%	12.9%	13.2%
Consumer Staples	6.9	6.9	6.2
Energy	6.3	6.3	6.1
Financials	13.9	13.8	14.3
Health Care	14.1	14.1	13.7
Industrials	9.5	9.6	10.2
Information Technology	26.0	26.0	24.7
Materials	2.6	2.6	3.1
Real Estate	2.9	2.9	3.8
Telecommunication Services	2.0	2.0	1.8
Utilities	2.9	2.9	2.9

### Ten Largest Holdings<sup>6</sup> (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	3.9
Microsoft Corp.	Systems Software	3.3
Amazon.com Inc.	Internet & Direct Marketing Retail	3.0
Alphabet Inc.	Internet Software & Services	2.9
Facebook Inc.	Internet Software & Services	2.0
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.6
JPMorgan Chase & Co.	Diversified Banks	1.5
Exxon Mobil Corp.	Integrated Oil & Gas	1.5
Johnson & Johnson	Pharmaceuticals	1.4
Bank of America Corp.	Diversified Banks	1.1
Top Ten		22.2%

### Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

**30-Day SEC Yield.** A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds) its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

**Beta.** A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

**Equity Exposure.** A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

**R-Squared.** A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

<sup>1</sup> S&P 500 Index.

<sup>2</sup> Dow Jones U.S. Total Stock Market Float Adjusted Index.

<sup>3</sup> 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

<sup>4</sup> Annualized.

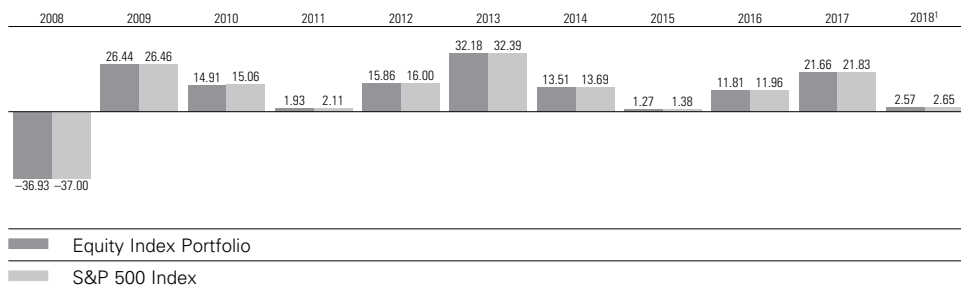
<sup>5</sup> The expense ratio shown is from the prospectus dated April 26, 2018, and represents estimated costs for the current fiscal year. For the six months ended June 30, 2018, the portfolio's annualized expense ratio was 0.15%.

<sup>6</sup> The holdings listed exclude any temporary cash investments and equity index products.

## 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.

### Fiscal-Year Total Returns (%): December 31, 2007–June 30, 2018



### Average Annual Total Returns: Periods Ended June 30, 2018

	Inception Date	One Year	Five Years	Ten Years
Equity Index Portfolio	4/29/1991	14.20%	13.27%	10.05%

<sup>1</sup> Six months ended June 30, 2018.

See Financial Highlights for dividend and capital gains information.

## Financial Statements (unaudited)

## Statement of Net Assets

As of June 30, 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. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (99.5%)<sup>1</sup></b>			Hasbro Inc.	26,090	2,408	Estee Lauder Cos. Inc.		
<b>Consumer Discretionary (12.9%)</b>			Advance Auto Parts Inc.	17,076	2,317	Class A	51,468	7,344
* Amazon.com Inc.	92,352	156,980	* Michael Kors Holdings Ltd.	34,259	2,282	General Mills Inc.	135,914	6,016
Home Depot Inc.	264,552	51,614	* LKQ Corp.	71,118	2,269	Archer-Daniels-Midland Co.	127,912	5,862
* Netflix Inc.	99,645	39,004	* Norwegian Cruise Line Holdings Ltd.	47,454	2,242	* Monster Beverage Corp.	93,966	5,384
Walt Disney Co.	340,973	35,737	Whirlpool Corp.	14,815	2,166	Kroger Co.	186,638	5,310
Comcast Corp. Class A	1,053,170	34,555	Tractor Supply Co.	27,846	2,130	Tyson Foods Inc. Class A	68,318	4,704
McDonald's Corp.	180,104	28,221	Interpublic Group of Cos. Inc.	88,703	2,079	Clorox Co.	29,787	4,029
NIKE Inc. Class B	294,178	23,440	* L Brands Inc.	55,883	2,061	Kellogg Co.	57,418	4,012
* Booking Holdings Inc.	11,009	22,316	* Discovery Communications Inc.	78,228	1,995	McCormick & Co. Inc.	27,865	3,235
Lowe's Cos. Inc.	188,501	18,015	BorgWarner Inc.	45,150	1,949	Conagra Brands Inc.	90,274	3,225
Starbucks Corp.	316,502	15,461	* Hanesbrands Inc.	82,535	1,817	Church & Dwight Co. Inc.	56,088	2,982
TJX Cos. Inc.	143,825	13,689	* DISH Network Corp. Class A	52,559	1,767	Hershey Co.	31,990	2,977
* Charter Communications Inc. Class A	42,520	12,467	News Corp. Class A	112,823	1,749	Brown-Forman Corp. Class B	60,037	2,942
Twenty-First Century Fox Inc. Class A	241,471	11,999	PulteGroup Inc.	60,275	1,733	Molson Coors Brewing Co. Class B	42,460	2,889
General Motors Co.	290,927	11,463	Gap Inc.	49,909	1,617	JM Smucker Co.	25,995	2,794
Ford Motor Co.	897,681	9,937	Ralph Lauren Corp. Class A	12,779	1,607	^ Hormel Foods Corp.	62,020	2,308
Target Corp.	122,304	9,310	Harley-Davidson Inc.	38,136	1,605	Campbell Soup Co.	44,216	1,792
Marriott International Inc. Class A	68,021	8,611	Garmin Ltd.	25,315	1,544	Coty Inc. Class A	108,888	1,535
Ross Stores Inc.	86,852	7,361	Foot Locker Inc.	26,978	1,420			<b>362,717</b>
VF Corp.	75,168	6,128	Nordstrom Inc.	27,146	1,406	<b>Energy (6.3%)</b>		
Yum! Brands Inc.	74,127	5,798	* TripAdvisor Inc.	24,517	1,366	Exxon Mobil Corp.	971,005	80,331
Dollar General Corp.	58,388	5,757	Leggett & Platt Inc.	30,044	1,341	Chevron Corp.	438,237	55,406
Aptiv plc	60,719	5,564	Mattel Inc.	79,158	1,300	Schlumberger Ltd.	317,675	21,294
Carnival Corp.	92,925	5,326	Goodyear Tire & Rubber Co.	55,141	1,284	ConocoPhillips	268,287	18,678
* O'Reilly Automotive Inc.	18,757	5,131	H&R Block Inc.	48,118	1,096	EOG Resources Inc.	132,730	16,516
Hilton Worldwide Holdings Inc.	64,095	5,074	* Discovery Communications Inc. Class A	35,718	982	Occidental Petroleum Corp.	175,645	14,698
Twenty-First Century Fox Inc.	101,057	4,979	* Under Armour Inc. Class A	42,867	964	Valero Energy Corp.	98,835	10,954
* Dollar Tree Inc.	54,587	4,640	* Under Armour Inc. News Corp. Class B	3,100	49	Phillips 66	96,240	10,809
CBS Corp. Class B	78,290	4,401	Lennar Corp. Class B	1,031	44	Halliburton Co.	200,849	9,050
Best Buy Co. Inc.	56,315	4,200				Anadarko Petroleum Corp.	118,209	8,659
* AutoZone Inc.	6,152	4,128				Kinder Morgan Inc.	435,284	7,692
Royal Caribbean Cruises Ltd.	38,892	4,029				Marathon Petroleum Corp.	105,930	7,432
Omnicom Group Inc.	52,215	3,982				Pioneer Natural Resources Co.	39,047	7,389
MGM Resorts International	115,210	3,345				ONEOK Inc.	94,312	6,586
Expedia Group Inc.	27,617	3,319	<b>Consumer Staples (6.8%)</b>			Devon Energy Corp.	120,223	5,285
Lennar Corp. Class A	62,029	3,257	Procter & Gamble Co.	576,661	45,014	Williams Cos. Inc.	190,131	5,154
Wynn Resorts Ltd.	19,355	3,239	Coca-Cola Co.	878,478	38,530	* Concho Resources Inc.	34,118	4,720
DR Horton Inc.	78,727	3,228	PepsiCo Inc.	325,200	35,404	Andeavor	31,963	4,193
* Mohawk Industries Inc.	14,488	3,104	Philip Morris International Inc.	356,546	28,788	Marathon Oil Corp.	196,183	4,092
Tapestry Inc.	66,161	3,090	Walmart Inc.	331,808	28,419	Apache Corp.	87,389	4,085
Genuine Parts Co.	33,618	3,086	Altria Group Inc.	433,994	24,646	Hess Corp.	59,843	4,003
Tiffany & Co.	23,307	3,067	Costco Wholesale Corp.	100,572	21,018	Noble Energy Inc.	111,272	3,926
* Ulta Beauty Inc.	13,133	3,066	Mondelez International Inc. Class A	338,242	13,868	National Oilwell Varco Inc.	87,322	3,790
Darden Restaurants Inc.	28,249	3,024	Colgate-Palmolive Co.	199,972	12,960	EQT Corp.	57,631	3,180
* CarMax Inc.	40,687	2,965	Walgreens Boots Alliance Inc.	195,535	11,735	Baker Hughes a GE Co.	95,885	3,167
Newell Brands Inc.	111,335	2,871	Kraft Heinz Co.	137,020	8,608	TechnipFMC plc	99,410	3,155
Kohl's Corp.	38,451	2,803	Constellation Brands Inc. Class A	38,572	8,442	HollyFrontier Corp.	40,600	2,778
PVH Corp.	17,605	2,636	Kimberly-Clark Corp.	80,112	8,439	Cabot Oil & Gas Corp.	103,024	2,452
Macy's Inc.	70,023	2,621	Sysco Corp.	109,908	7,506	Cimarex Energy Co.	21,806	2,219
* Chipotle Mexican Grill Inc. Class A	5,676	2,448				Helmerich & Payne Inc.	25,128	1,602
Viacom Inc. Class B	80,526	2,429				* Newfield Exploration Co.	45,938	1,390



## Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Financials (13.8%)</b>								
JPMorgan Chase & Co.	780,809	81,360	Franklin Resources Inc.	72,824	2,334	* Mettler-Toledo International Inc.	5,868	3,395
* Berkshire Hathaway Inc. Class B	409,957	76,519	Cincinnati Financial Corp.	34,215	2,288	ResMed Inc.	32,727	3,390
Bank of America Corp.	2,162,490	60,961	Everest Re Group Ltd.	9,346	2,154	AmerisourceBergen Corp. Class A	37,306	3,181
Wells Fargo & Co.	1,005,750	55,759	Torchmark Corp.	24,334	1,981	* Incyte Corp.	40,406	2,707
Citigroup Inc.	584,765	39,132	Unum Group	50,723	1,876	Cooper Cos. Inc.	11,257	2,651
US Bancorp	357,782	17,896	Affiliated Managers Group Inc.	12,408	1,845	* Henry Schein Inc.	35,200	2,557
Goldman Sachs Group Inc.	80,606	17,779	Jefferies Financial Group Inc.	69,214	1,574	* Hologic Inc.	62,815	2,497
American Express Co.	163,742	16,047	People's United Financial Inc.	80,225	1,451	* Varian Medical Systems Inc.	20,972	2,385
Morgan Stanley	312,616	14,818	Assurant Inc.	12,087	1,251	Dentsply Sirona Inc.	51,904	2,272
PNC Financial Services Group Inc.	107,696	14,550	* BrightHouse Financial Inc.	27,460	1,100	Universal Health Services Inc. Class B	20,052	2,235
BlackRock Inc.	28,238	14,092				* DaVita Inc.	31,904	2,215
Charles Schwab Corp.	275,361	14,071	<b>Health Care (14.0%)</b>			Perrigo Co. plc	29,426	2,145
Chubb Ltd.	106,832	13,570	Johnson & Johnson	615,154	74,643	PerkinElmer Inc.	25,256	1,850
CME Group Inc.	78,135	12,808	UnitedHealth Group Inc.	220,386	54,070	* Nektar Therapeutics Class A	36,900	1,802
Bank of New York Mellon Corp.	231,768	12,499	Pfizer Inc.	1,341,564	48,672	* Envision Healthcare Corp.	27,993	1,232
S&P Global Inc.	57,634	11,751	Merck & Co. Inc.	617,042	37,454			
American International Group Inc.	205,860	10,915	AbbVie Inc.	347,527	32,198			
Capital One Financial Corp.	111,577	10,254	Amgen Inc.	152,746	28,195	<b>Industrials (9.5%)</b>		
MetLife Inc.	233,168	10,166	Medtronic plc	310,547	26,586	Boeing Co.	125,575	42,132
Intercontinental Exchange Inc.	132,825	9,769	Abbott Laboratories	402,092	24,524	General Electric Co.	1,991,877	27,109
Marsh & McLennan Cos. Inc.	116,371	9,539	Gilead Sciences Inc.	298,144	21,121	3M Co.	136,096	26,773
BB&T Corp.	178,787	9,018	Bristol-Myers Squibb Co.	374,842	20,744	Union Pacific Corp.	177,866	25,200
Prudential Financial Inc.	96,365	9,011	Thermo Fisher Scientific Inc.	92,239	19,106	Honeywell International Inc.	171,263	24,670
Progressive Corp.	133,579	7,901	Eli Lilly & Co.	219,109	18,697	United Technologies Corp.	170,588	21,329
State Street Corp.	83,800	7,801	CVS Health Corp.	233,161	15,004	Caterpillar Inc.	137,133	18,605
Aon plc	56,086	7,693	Becton Dickinson and Co.	61,265	14,677	Lockheed Martin Corp.	56,966	16,829
Aflac Inc.	177,628	7,642	* Biogen Inc.	48,388	14,044	United Parcel Service Inc. Class B	158,121	16,797
Travelers Cos. Inc.	61,951	7,579	Anthem Inc.	58,558	13,939	CSX Corp.	200,756	12,804
Allstate Corp.	80,584	7,355	Danaher Corp.	140,992	13,913	FedEx Corp.	56,325	12,789
SunTrust Banks Inc.	106,531	7,033	Aetna Inc.	74,969	13,757	Raytheon Co.	65,910	12,733
Moody's Corp.	38,340	6,539	Allergan plc	77,778	12,967	Northrop Grumman Corp.	39,946	12,291
T. Rowe Price Group Inc.	55,539	6,448	* Celgene Corp.	162,080	12,872	General Dynamics Corp.	63,352	11,809
* Berkshire Hathaway Inc. Class A	21	5,923	Stryker Corp.	73,685	12,442	Deere & Co.	74,340	10,393
M&T Bank Corp.	33,259	5,659	* Intuitive Surgical Inc.	25,987	12,434	Emerson Electric Co.	144,410	9,985
Discover Financial Services	79,943	5,629	* Boston Scientific Corp.	316,462	10,348	Norfolk Southern Corp.	64,761	9,770
Synchrony Financial	163,026	5,442	* Express Scripts Holding Co.	128,810	9,945	Illinois Tool Works Inc.	69,900	9,684
Northern Trust Corp.	48,547	4,995	* Vertex Pharmaceuticals Inc.	58,485	9,940	Eaton Corp. plc	100,277	7,495
KeyCorp	243,982	4,767	Cigna Corp.	55,809	9,485	Waste Management Inc.	91,235	7,421
Ameriprise Financial Inc.	33,214	4,646	Zoetis Inc.	110,979	9,454	Delta Air Lines Inc.	147,932	7,329
Willis Towers Watson plc	30,330	4,598	* Illumina Inc.	33,732	9,421	Johnson Controls International plc	212,432	7,106
Regions Financial Corp.	257,712	4,582	Humana Inc.	31,614	9,409	Roper Technologies Inc.	23,647	6,524
Fifth Third Bancorp	157,314	4,515	Baxter International Inc.	112,993	8,343	Southwest Airlines Co.	122,289	6,222
Citizens Financial Group Inc.	111,367	4,332	* Edwards Lifesciences Corp.	48,322	7,034	Fortive Corp.	70,446	5,432
Hartford Financial Services Group Inc.	82,334	4,210	HCA Healthcare Inc.	64,048	6,571	Ingersoll-Rand plc	56,879	5,104
Huntington Bancshares Inc.	253,060	3,735	* Alexion Pharmaceuticals Inc.	51,003	6,332	Rockwell Collins Inc.	37,761	5,086
* E*TRADE Financial Corp.	60,653	3,710	McKesson Corp.	46,374	6,186	PACCAR Inc.	80,830	5,008
Comerica Inc.	39,399	3,582	* Regeneron Pharmaceuticals Inc.	17,783	6,135	Rockwell Automation Inc.	28,756	4,780
* SVB Financial Group	12,200	3,523	* Centene Corp.	47,103	5,804	Parker-Hannifin Corp.	30,412	4,740
MSCI Inc. Class A	20,400	3,375	* Align Technology Inc.	16,600	5,680	Cummins Inc.	35,584	4,733
XL Group Ltd.	59,043	3,303	Zimmer Biomet Holdings Inc.	46,515	5,184	Stanley Black & Decker Inc.	35,427	4,705
Principal Financial Group Inc.	61,164	3,239	Agilent Technologies Inc.	73,431	4,541	* IHS Markit Ltd.	81,907	4,226
Lincoln National Corp.	49,950	3,109	* IDEXX Laboratories Inc.	19,870	4,331	Harris Corp.	27,259	3,940
Loews Corp.	59,827	2,888	* Cerner Corp.	72,276	4,321	Textron Inc.	58,890	3,881
Arthur J Gallagher & Co.	41,874	2,734	* Mylan NV	117,932	4,262	TransDigm Group Inc.	11,228	3,875
Cboe Global Markets Inc.	25,697	2,674	* Laboratory Corp. of America Holdings	23,478	4,215	* Verisk Analytics Inc. Class A	35,572	3,829
Raymond James Financial Inc.	29,892	2,671	* ABIOMED Inc.	9,700	3,968	AMETEK Inc.	53,004	3,825
Invesco Ltd.	93,754	2,490	* IQVIA Holdings Inc.	37,157	3,709	* United Continental Holdings Inc.	54,127	3,774
Nasdaq Inc.	26,917	2,457	* Cardinal Health Inc.	71,469	3,490	Cintas Corp.	19,850	3,674
Zions Bancorporation	45,195	2,381	* Waters Corp.	18,007	3,486	American Airlines Group Inc.	95,708	3,633
			Quest Diagnostics Inc.	31,080	3,417	VWV Grainger Inc.	11,664	3,597

Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Republic Services Inc. Class A	51,202	3,500	* eBay Inc.	211,971	7,686	Packaging Corp. of America	21,575	2,412
L3 Technologies Inc.	17,981	3,458	TE Connectivity Ltd.	80,279	7,230	Albemarle Corp.	25,440	2,400
Equifax Inc.	27,520	3,443	* Fiserv Inc.	93,890	6,956	CF Industries Holdings Inc.	53,765	2,387
Fastenal Co.	65,868	3,170	* Autodesk Inc.	50,271	6,590	Mosaic Co.	80,643	2,262
Expeditors International of Washington Inc.	40,090	2,931	* Twitter Inc.	150,200	6,559	International Flavors & Fragrances Inc.	18,142	2,249
* United Rentals Inc.	19,258	2,843	Lam Research Corp.	37,625	6,504	Avery Dennison Corp.	20,128	2,055
Xylem Inc.	41,448	2,793	Amphenol Corp. Class A	69,200	6,031	Sealed Air Corp.	36,796	1,562
Masco Corp.	71,555	2,678	* Red Hat Inc.	40,768	5,478			<b>137,582</b>
CH Robinson Worldwide Inc.	31,882	2,667	Western Digital Corp.	68,698	5,318			
* Copart Inc.	46,300	2,619	DXC Technology Co.	65,362	5,269	<b>Real Estate (2.9%)</b>		
Dover Corp.	35,454	2,595	Corning Inc.	190,588	5,243	American Tower Corp.	101,340	14,610
Kansas City Southern	23,557	2,496	Hewlett Packard Enterprise Co.	350,440	5,120	Simon Property Group Inc.	70,998	12,083
Nielsen Holdings plc	77,045	2,383	Paychex Inc.	73,499	5,024	Crown Castle International Corp.	95,129	10,257
JB Hunt Transport Services Inc.	19,580	2,380	Microchip Technology Inc.	53,907	4,903	Prologis Inc.	122,321	8,035
Huntington Ingalls Industries Inc.	10,200	2,211	NetApp Inc.	61,473	4,828	Equinix Inc.	18,274	7,856
Snap-on Inc.	13,036	2,095	* Motorola Solutions Inc.	37,222	4,332	Public Storage	34,369	7,797
AO Smith Corp.	33,164	1,962	* FleetCor Technologies Inc.	20,500	4,318	Weyerhaeuser Co.	173,725	6,334
Robert Half International Inc.	28,239	1,838	Global Payments Inc.	36,605	4,081	AvalonBay Communities Inc.	31,704	5,450
Fortune Brands Home & Security Inc.	33,633	1,806	Skyworks Solutions Inc.	41,787	4,039	Equity Residential	84,604	5,388
Jacobs Engineering Group Inc.	27,672	1,757	Xilinx Inc.	58,297	3,804	Welltower Inc.	85,331	5,349
Alaska Air Group Inc.	28,314	1,710	Seagate Technology plc	65,950	3,724	Digital Realty Trust Inc.	47,241	5,271
Allegion plc	21,893	1,694	KLA-Tencor Corp.	35,693	3,660	Ventas Inc.	81,597	4,647
Arconic Inc.	97,259	1,654	* ANSYS Inc.	19,248	3,353	Boston Properties Inc.	35,487	4,451
Fluor Corp.	32,376	1,579	Total System Services Inc.	37,948	3,207	* SBA Communications Corp. Class A	26,341	4,349
Pentair plc	37,074	1,560	Broadridge Financial Solutions Inc.	27,000	3,108	Essex Property Trust Inc.	15,157	3,623
* Stericycle Inc.	19,412	1,267	* Take-Two Interactive Software Inc.	26,200	3,101	Host Hotels & Resorts Inc.	170,618	3,595
Flowserve Corp.	30,244	1,222	* Citrix Systems Inc.	29,496	3,092	Realty Income Corp.	65,057	3,499
* Quanta Services Inc.	34,194	1,142	* VeriSign Inc.	21,950	3,016	* CBRE Group Inc. Class A	69,116	3,300
		<b>505,094</b>	Symantec Corp.	142,152	2,935	Alexandria Real Estate Equities Inc.	23,526	2,968
<b>Information Technology (25.8%)</b>			* Synopsys Inc.	34,122	2,920	GGP Inc.	145,182	2,966
Apple Inc.	1,127,184	208,653	* Akamai Technologies Inc.	39,252	2,874	Vornado Realty Trust	39,694	2,934
Microsoft Corp.	1,762,061	173,757	* Advanced Micro Devices Inc.	189,281	2,837	Extra Space Storage Inc.	29,082	2,903
* Facebook Inc. Class A	550,056	106,887	* Cadence Design Systems Inc.	64,661	2,801	HCP Inc.	107,731	2,782
* Alphabet Inc. Class C	69,691	77,751	* Gartner Inc.	20,997	2,791	Mid-America Apartment Communities Inc.	26,247	2,642
* Alphabet Inc. Class A	68,479	77,326	Alliance Data Systems Corp.	11,005	2,566	Duke Realty Corp.	81,408	2,363
Visa Inc. Class A	409,615	54,254	CA Inc.	71,847	2,561	UDR Inc.	61,578	2,312
Intel Corp.	1,068,739	53,127	* F5 Networks Inc.	14,006	2,415	Iron Mountain Inc.	64,269	2,250
Cisco Systems Inc.	1,078,546	46,410	* Qorvo Inc.	28,849	2,313	Federal Realty Investment Trust	16,798	2,126
Mastercard Inc. Class A	210,250	41,318	Juniper Networks Inc.	79,671	2,185	Regency Centers Corp.	33,581	2,085
NVIDIA Corp.	139,206	32,978	Western Union Co.	104,985	2,134	SL Green Realty Corp.	20,154	2,026
Oracle Corp.	683,494	30,115	* IPG Photonics Corp.	8,600	1,897	Kimco Realty Corp.	97,522	1,657
* Adobe Systems Inc.	112,965	27,542	FLIR Systems Inc.	31,563	1,640	Apartment Investment & Management Co.	35,833	1,516
International Business Machines Corp.	195,778	27,350	Xerox Corp.	48,786	1,171	Macerich Co.	24,877	1,414
Texas Instruments Inc.	224,469	24,748			<b>1,370,948</b>			
Accenture plc Class A	147,464	24,124	<b>Materials (2.6%)</b>					<b>150,838</b>
Broadcom Inc.	92,014	22,326	DowDuPont Inc.	532,206	35,083	<b>Telecommunication Services (2.0%)</b>		
* salesforce.com Inc.	161,820	22,072	Praxair Inc.	65,834	10,412	AT&T Inc.	1,665,433	53,477
* PayPal Holdings Inc.	255,974	21,315	Ecolab Inc.	59,575	8,360	Verizon Communications Inc.	947,528	47,670
QUALCOMM Inc.	339,976	19,079	LyondellBasell Industries NV Class A	73,696	8,095	CenturyLink Inc.	225,597	4,205
* Micron Technology Inc.	265,998	13,949	Air Products & Chemicals Inc.	50,335	7,839			<b>105,352</b>
Automatic Data Processing Inc.	101,033	13,553	Sherwin-Williams Co.	18,893	7,700	<b>Utilities (2.9%)</b>		
Activision Blizzard Inc.	174,610	13,326	PPG Industries Inc.	57,175	5,931	NextEra Energy Inc.	108,089	18,054
Intuit Inc.	55,859	11,412	Freeport-McMoRan Inc.	309,290	5,338	Duke Energy Corp.	160,736	12,711
Applied Materials Inc.	231,204	10,679	International Paper Co.	95,106	4,953	Southern Co.	231,992	10,744
Cognizant Technology Solutions Corp. Class A	134,344	10,612	Newmont Mining Corp.	122,581	4,622	Dominion Energy Inc.	149,710	10,207
* Electronic Arts Inc.	70,360	9,922	Nucor Corp.	72,860	4,554	Exelon Corp.	221,423	9,433
HP Inc.	376,340	8,539	Vulcan Materials Co.	30,377	3,920	American Electric Power Co. Inc.	112,963	7,823
Analog Devices Inc.	85,012	8,154	WestRock Co.	58,940	3,361	Sempra Energy	60,611	7,038
Fidelity National Information Services Inc.	75,974	8,056	Eastman Chemical Co.	32,806	3,279	Public Service Enterprise Group Inc.	115,987	6,280
			Martin Marietta Materials Inc.	14,434	3,224	Consolidated Edison Inc.	71,267	5,557
			Ball Corp.	80,044	2,846			
			FMC Corp.	30,694	2,738			

Equity Index Portfolio

	Shares	Market Value* (\$000)
Xcel Energy Inc.	116,940	5,342
PG&E Corp.	118,525	5,044
Edison International	74,913	4,740
WEC Energy Group Inc.	72,502	4,687
PPL Corp.	160,469	4,581
DTE Energy Co.	41,748	4,326
Eversource Energy	72,534	4,251
FirstEnergy Corp.	102,702	3,688
* Energy Inc.	62,200	3,493
American Water Works Co. Inc.	40,685	3,474
Ameren Corp.	55,711	3,390
Entergy Corp.	41,393	3,344
CMS Energy Corp.	64,960	3,071
CenterPoint Energy Inc.	98,489	2,729
Alliant Energy Corp.	52,953	2,241
NRG Energy Inc.	68,674	2,108
Pinnacle West Capital Corp.	25,657	2,067
AES Corp.	152,370	2,043
NiSource Inc.	76,951	2,022
SCANA Corp.	32,651	1,258
		<b>155,746</b>
<b>Total Common Stocks (Cost \$3,358,892)</b>		<b>5,280,251</b>
<b>Temporary Cash Investments (0.4%)<sup>1</sup></b>		
<b>Money Market Fund (0.4%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.122%	197,238	19,726

	Face Amount (\$000)	Market Value* (\$000)
<b>U.S. Government and Agency Obligations (0.0%)</b>		
<sup>4</sup> United States Treasury Bill, 1.918%, 10/4/18	300	299
<sup>4</sup> United States Treasury Bill, 2.035%–2.078%, 11/15/18	1,400	1,389
		<b>1,688</b>
<b>Total Temporary Cash Investments (Cost \$21,414)</b>		<b>21,414</b>
<b>Total Investments (99.9%) (Cost \$3,380,306)</b>		<b>5,301,665</b>
		Amount (\$000)
<b>Other Assets and Liabilities (0.1%)</b>		
<b>Other Assets</b>		
Investment in Vanguard		280
Receivables for Investment Securities Sold		4,201
Receivables for Accrued Income		4,398
Receivables for Capital Shares Issued		5,870
Variation Margin Receivable—		
Futures Contracts		7
<b>Total Other Assets</b>		<b>14,756</b>
<b>Liabilities</b>		
Payables for Investment Securities		
Purchased		(2,662)
Collateral for Securities on Loan		(148)
Payables for Capital Shares Redeemed		(2,559)
Payables to Vanguard		(2,571)
<b>Total Liabilities</b>		<b>(7,940)</b>
<b>Net Assets (100%)</b>		
Applicable to 129,955,669 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)		<b>5,308,481</b>
<b>Net Asset Value Per Share</b>		<b>\$40.85</b>

**At June 30, 2018, net assets consisted of:**

	Amount (\$000)
Paid-in Capital	3,285,040
Undistributed Net Investment Income	42,016
Accumulated Net Realized Gains	60,499
Unrealized Appreciation (Depreciation)	
Investment Securities	1,921,359
Futures Contracts	(433)
<b>Net Assets</b>	<b>5,308,481</b>

- See Note A in Notes to Financial Statements.
- \* Non-income-producing security.
- <sup>A</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$145,000.
- <sup>1</sup> The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.0% and -0.01%, respectively, of net assets.
- <sup>2</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
- <sup>3</sup> Includes \$148,000 of collateral received for securities on loan.
- <sup>4</sup> Securities with a value of \$1,192,000 have been segregated as initial margin for open futures contracts.

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

Futures Contracts				(\$000)
Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)	
Long Futures Contracts				
E-mini S&P 500 Index	September 2018	204	27,760	(433)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

## Statement of Operations

	Six Months Ended June 30, 2018
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	49,424
Interest <sup>1</sup>	160
Securities Lending—Net	2
<b>Total Income</b>	<b>49,586</b>
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	643
Management and Administrative	2,784
Marketing and Distribution	370
Custodian Fees	29
Shareholders' Reports	8
Trustees' Fees and Expenses	2
<b>Total Expenses</b>	<b>3,836</b>
<b>Net Investment Income</b>	<b>45,750</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	59,318
Futures Contracts	1,363
<b>Realized Net Gain (Loss)</b>	<b>60,681</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	27,643
Futures Contracts	(600)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>27,043</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>133,474</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$149,000, (\$5,000), and \$2,000, respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	45,750	87,861
Realized Net Gain (Loss)	60,681	85,733
Change in Unrealized Appreciation (Depreciation)	27,043	757,762
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>133,474</b>	<b>931,356</b>
<b>Distributions</b>		
Net Investment Income	(88,315)	(85,191)
Realized Capital Gain <sup>1</sup>	(85,966)	(145,507)
<b>Total Distributions</b>	<b>(174,281)</b>	<b>(230,698)</b>
<b>Capital Share Transactions</b>		
Issued	287,113	429,437
Issued in Lieu of Cash Distributions	174,281	230,698
Redeemed	(289,884)	(512,346)
<b>Net Increase (Decrease) from Capital Share Transactions</b>	<b>171,510</b>	<b>147,789</b>
<b>Total Increase (Decrease)</b>	<b>130,703</b>	<b>848,447</b>
<b>Net Assets</b>		
<b>Beginning of Period</b>	<b>5,177,778</b>	<b>4,329,331</b>
<b>End of Period<sup>2</sup></b>	<b>5,308,481</b>	<b>5,177,778</b>

<sup>1</sup> Includes fiscal 2018 and 2017 short-term gain distributions totaling \$2,110,000 and \$3,181,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

<sup>2</sup> Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$42,016,000 and \$84,581,000.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30,	Year Ended December 31,				
	2018	2017	2016	2015	2014	2013
<b>Net Asset Value, Beginning of Period</b>	<b>\$41.17</b>	<b>\$35.63</b>	<b>\$33.25</b>	<b>\$34.44</b>	<b>\$31.50</b>	<b>\$24.93</b>
<b>Investment Operations</b>						
Net Investment Income	.357 <sup>1</sup>	.699 <sup>1</sup>	.704	.759 <sup>2</sup>	.587	.545
Net Realized and Unrealized Gain (Loss) on Investments	.711	6.734	3.055	(.338)	3.522	7.235
Total from Investment Operations	1.068	7.433	3.759	.421	4.109	7.780
<b>Distributions</b>						
Dividends from Net Investment Income	(.703)	(.699)	(.759)	(.569)	(.555)	(.505)
Distributions from Realized Capital Gains	(.685)	(1.194)	(.620)	(1.042)	(.614)	(.705)
Total Distributions	(1.388)	(1.893)	(1.379)	(1.611)	(1.169)	(1.210)
<b>Net Asset Value, End of Period</b>	<b>\$40.85</b>	<b>\$41.17</b>	<b>\$35.63</b>	<b>\$33.25</b>	<b>\$34.44</b>	<b>\$31.50</b>
<b>Total Return</b>	<b>2.57%</b>	<b>21.66%</b>	<b>11.81%</b>	<b>1.27%</b>	<b>13.51%</b>	<b>32.18%</b>

### Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$5,308	\$5,178	\$4,329	\$3,985	\$3,784	\$3,199
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.15%	0.15%	0.16%	0.16%
Ratio of Net Investment Income to Average Net Assets	1.75%	1.85%	2.08%	2.31% <sup>2</sup>	1.88%	1.96%
Portfolio Turnover Rate	5%	5%	7%	4%	7%	8%

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

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

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

## Notes to Financial Statements

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

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

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

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

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

During the six months ended June 30, 2018, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. **Federal Income Taxes:** The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2014–2017), and for the period ended June 30, 2018, and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date.

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

and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group (“Vanguard”) participate in a \$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 June 30, 2018, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities 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. In accordance with the terms of a Funds’ Service Agreement (the “FSA”) between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, distribution, and cash management services at Vanguard’s cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio’s liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of \$280,000, representing 0.01% of the portfolio’s net assets and 0.11% of Vanguard’s capitalization. The portfolio’s trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the portfolio’s investments as of June 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	5,280,251	—	—
Temporary Cash Investments	19,726	1,688	—
Futures Contracts—Assets <sup>1</sup>	7	—	—
Total	5,299,984	1,688	—

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

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year.

At June 30, 2018, the cost of investment securities for tax purposes was \$3,380,306,000. Net unrealized appreciation of investment securities for tax purposes was \$1,921,359,000, consisting of unrealized gains of \$2,116,854,000 on securities that had risen in value since their purchase and \$195,495,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended June 30, 2018, the portfolio purchased \$173,867,000 of investment securities and sold \$125,468,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	6,964	11,409
Issued in Lieu of Cash Distributions	4,242	6,442
Redeemed	(7,012)	(13,593)
Net Increase (Decrease) in Shares Outstanding	4,194	4,258

At June 30, 2018, two shareholders (including an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Vanguard Total Stock Market Index Portfolio) were each a record or beneficial owner of 25% or more of the portfolio's net assets, with a combined ownership of 63%. If one of these shareholders 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.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2018, that would require recognition or disclosure in these financial statements.



## About Your Portfolio's Expenses

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

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

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

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

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

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

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

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

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

### Six Months Ended June 30, 2018

	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period <sup>1</sup>
Equity Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,025.75	\$0.75
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.05	0.75

<sup>1</sup> 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 0.15%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (181/365).

## Trustees Approve Advisory Arrangement

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

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

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

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

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

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

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

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

### **Investment performance**

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance compared with its target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the portfolio's most recent performance can be found in the Performance Summary section of this report.

### **Cost**

The board concluded that the portfolio's expense ratio was well below the average expense ratio charged by funds in its peer group and that the portfolio's advisory expenses were also well below the peer-group average. Information about the portfolio's expenses appears in the About Your Portfolio's Expenses section as well as in the Financial Statements section.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

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

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

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

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# 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 on an at-cost basis.

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 208 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](http://vanguard.com).

## Interested Trustees<sup>1</sup>

### 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.

<sup>1</sup> 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**

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

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

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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