



**Annual Report** | December 31, 2018

# Vanguard Variable Insurance Fund

Equity Index Portfolio

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

## Important information about access to shareholder reports

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

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](https://www.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](https://www.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
<b>Stocks</b>			
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
<b>Bonds</b>			
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
<b>CPI</b>			
Consumer Price Index	1.91%	2.03%	1.51%

## Equity Index Portfolio

For the 12 months ended December 31, 2018, Vanguard Variable Insurance Fund Equity Index Portfolio returned -4.51%, in line with its benchmark, the S&P 500 Index, which returned -4.38%. 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.

The broad U.S. stock market finished 2018 with a return of about -5%, its first negative calendar year since 2008. Despite generally solid economic data and corporate earnings, stocks declined sharply in the fourth quarter. Investors grew more concerned about equity valuations, the possibility of slowing global growth, rising U.S. interest rates, and heightened geopolitical uncertainty.

### **Few sectors offered solace as markets turned volatile**

The Equity Index Portfolio seeks to track the performance of the S&P 500 Index. The index is composed of 500 of the largest U.S. companies and represents about three-quarters of the U.S. stock market's value. Stocks of every style and from every industry sector are represented.

Over the period, large-capitalization stocks outpaced mid- and small-caps, and growth stocks beat their value counterparts. Seven of the 11 sectors recorded negative returns.

Financial stocks were among those that detracted the most from the portfolio's performance. While interest rates have risen from their rock-bottom lows in recent years, the expectation for aggressive hikes has moderated. This has curbed the appeal of banks and other financial companies that depend on interest. Asset managers and other investment firms were also hurt by the market's fourth-quarter swoon.

Industrials, energy, and materials companies absorbed double-digit declining returns over the period. Falling oil prices set back energy firms in particular. The only sectors with positive results were health care, information technology, consumer discretionary, and utilities—which serves as a safe haven when the broad market turns more volatile.

## 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 December 31, 2018

	Beginning Account Value 6/30/2018	Ending Account Value 12/31/2018	Expenses Paid During Period <sup>1</sup>
Equity Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$930.97	\$0.63
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.55	0.66

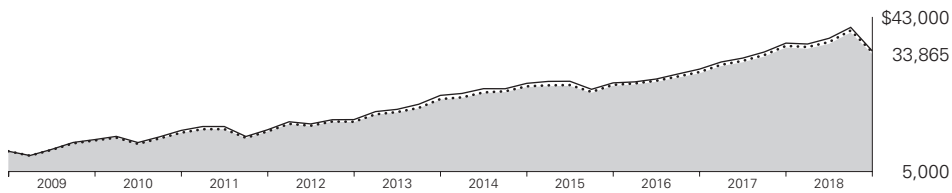
<sup>1</sup> The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.13%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value 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](http://vanguard.com/performance).) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on portfolio distributions or on the sale of portfolio shares. Nor do the returns reflect fees and expenses associated with the annuity or life insurance program through which a shareholder invests. If these fees and expenses were included, the portfolio's returns would be lower.

### Cumulative Performance: December 31, 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	
Equity Index Portfolio	-4.51 %	8.35%	12.97%	\$33,865
S&P 500 Index	-4.38	8.49	13.12	34,304
Dow Jones U.S. Total Stock Market Float Adjusted Index	-5.30	7.86	13.22	34,625

## Sector Diversification

As of December 31, 2018

Communication Services	10.1%
Consumer Discretionary	9.9
Consumer Staples	7.4
Energy	5.3
Financials	13.4
Health Care	15.6
Industrials	9.2
Information Technology	20.1
Materials	2.7
Real Estate	3.0
Utilities	3.3

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

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





Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Baker Hughes a GE Co. Class A	119,735	2,574	Loews Corp.	64,327	2,928	* ABIOMED Inc.	10,500	3,413
Devon Energy Corp.	109,123	2,460	Cincinnati Financial Corp.	35,415	2,742	* Waters Corp.	17,707	3,340
Hess Corp.	59,443	2,407	Principal Financial Group Inc.	61,764	2,728	* Mettler-Toledo International Inc.	5,868	3,319
Apache Corp.	87,989	2,310	* First Republic Bank	30,685	2,667	* Mylan NV	120,132	3,292
National Oilwell Varco Inc.	89,422	2,298	Comerica Inc.	37,999	2,610	Cardinal Health Inc.	69,469	3,098
Cabot Oil & Gas Corp.	99,824	2,231	E*TRADE Financial Corp.	58,853	2,582	* Laboratory Corp. of America Holdings	23,578	2,979
Noble Energy Inc.	111,072	2,084	Cboe Global Markets Inc.	26,097	2,553	Cooper Cos. Inc.	11,457	2,916
TechnipFMC plc	98,910	1,937	Lincoln National Corp.	49,650	2,548	* Henry Schein Inc.	35,500	2,787
HollyFrontier Corp.	37,000	1,891	* SVB Financial Group	12,500	2,374	* WellCare Health Plans Inc.	11,700	2,762
Cimarex Energy Co.	22,106	1,363	Raymond James Financial Inc.	29,992	2,232	AmerisourceBergen Corp. Class A	36,706	2,731
Helmerich & Payne Inc.	25,128	1,205	Nasdaq Inc.	26,617	2,171	Quest Diagnostics Inc.	31,580	2,630
* Newfield Exploration Co.	45,938	673	Everest Re Group Ltd.	9,446	2,057	* Incyte Corp.	41,206	2,620
		<b>260,751</b>	Franklin Resources Inc.	69,124	2,050	* Hologic Inc.	62,815	2,582
<b>Financials (13.3%)</b>			Zions Bancorp NA	44,695	1,821	* Varian Medical Systems Inc.	21,272	2,410
* Berkshire Hathaway Inc. Class B	422,557	86,278	Torchmark Corp.	23,934	1,784	Universal Health Services Inc. Class B	19,852	2,314
JPMorgan Chase & Co.	776,109	75,764	Invesco Ltd.	94,754	1,586	PerkinElmer Inc.	26,756	2,102
Bank of America Corp.	2,131,290	52,515	Unum Group	50,723	1,490	Dentsply Sirona Inc.	51,404	1,913
Wells Fargo & Co.	988,850	45,566	People's United Financial Inc.	89,725	1,295	* DaVita Inc.	29,304	1,508
Citigroup Inc.	569,365	29,641	Affiliated Managers Group Inc.	12,408	1,209	* Nektar Therapeutics Class A	39,900	1,311
US Bancorp	353,882	16,172	Jefferies Financial Group Inc.	65,714	1,141	Perrigo Co. plc	29,126	1,129
CME Group Inc.	83,435	15,696	Assurant Inc.	12,087	1,081			<b>762,542</b>
American Express Co.	163,142	15,551	* BrightHouse Financial Inc.	27,460	837			
Chubb Ltd.	107,732	13,917			<b>655,571</b>	<b>Industrials (9.1%)</b>		
Goldman Sachs Group Inc.	80,706	13,482				Boeing Co.	123,175	39,724
PNC Financial Services Group Inc.	107,496	12,567	<b>Health Care (15.5%)</b>			3M Co.	135,796	25,875
Morgan Stanley	304,916	12,090	Johnson & Johnson	625,754	80,754	Union Pacific Corp.	171,766	23,743
Charles Schwab Corp.	280,061	11,631	Pfizer Inc.	1,349,164	58,891	Honeywell International Inc.	173,763	22,958
BlackRock Inc.	28,338	11,132	UnitedHealth Group Inc.	224,686	55,974	United Technologies Corp.	189,282	20,155
Intercontinental Exchange Inc.	132,925	10,013	Merck & Co. Inc.	606,942	46,376	Caterpillar Inc.	137,633	17,489
Bank of New York Mellon Corp.	212,368	9,996	AbbVie Inc.	350,727	32,333	United Parcel Service Inc. Class B	162,121	15,812
S&P Global Inc.	58,534	9,947	Abbott Laboratories	409,492	29,619	General Electric Co.	2,027,977	15,352
MetLife Inc.	230,268	9,455	Amgen Inc.	148,546	28,917	Lockheed Martin Corp.	57,666	15,099
Marsh & McLennan Cos. Inc.	117,871	9,400	Medtronic plc	313,647	28,529	CSX Corp.	187,056	11,622
Capital One Financial Corp.	110,477	8,351	Eli Lilly & Co.	219,809	25,436	Deere & Co.	75,040	11,194
Progressive Corp.	135,879	8,198	Thermo Fisher Scientific Inc.	93,839	21,000	General Dynamics Corp.	64,952	10,211
Aon plc	56,186	8,167	Bristol-Myers Squibb Co.	380,542	19,781	Raytheon Co.	66,410	10,184
American International Group Inc.	206,260	8,129	CVS Health Corp.	301,507	19,755	Northrop Grumman Corp.	40,446	9,905
Aflac Inc.	177,728	8,097	Gilead Sciences Inc.	301,644	18,868	* Norfolk Southern Corp.	63,461	9,490
Prudential Financial Inc.	96,365	7,859	* Cigna Corp.	88,748	16,855	FedEx Corp.	56,425	9,103
BB&T Corp.	179,387	7,771	Anthem Inc.	60,258	15,826	Illinois Tool Works Inc.	71,100	9,008
Travelers Cos. Inc.	61,851	7,407	Danaher Corp.	143,792	14,828	Emerson Electric Co.	146,010	8,724
Allstate Corp.	80,484	6,650	* Biogen Inc.	46,988	14,140	Waste Management Inc.	91,535	8,146
* Berkshire Hathaway Inc. Class A	21	6,426	* Becton Dickinson and Co.	62,565	14,097	Delta Air Lines Inc.	145,332	7,252
State Street Corp.	88,400	5,575	* Intuitive Surgical Inc.	26,687	12,781	Eaton Corp. plc	101,177	6,947
Moody's Corp.	38,840	5,439	* Boston Scientific Corp.	322,662	11,403	Roper Technologies Inc.	24,147	6,436
SunTrust Banks Inc.	104,631	5,278	Stryker Corp.	72,385	11,346	Johnson Controls International plc	215,532	6,391
T. Rowe Price Group Inc.	56,139	5,183	* Celgene Corp.	164,080	10,516	Southwest Airlines Co.	117,989	5,484
M&T Bank Corp.	32,759	4,689	* Illumina Inc.	34,232	10,267	Ingersoll-Rand plc	57,179	5,216
Discover Financial Services	78,443	4,627	Allergan plc	73,878	9,874	PACCAR Inc.	81,730	4,670
Willis Towers Watson plc	30,230	4,591	* Vertex Pharmaceuticals Inc.	59,585	9,874	Fortive Corp.	68,420	4,629
Northern Trust Corp.	51,647	4,317	* Zoetis Inc.	112,179	9,596	Parker-Hannifin Corp.	30,912	4,610
Hartford Financial Services Group Inc.	83,534	3,713	Humana Inc.	32,014	9,171	Cummins Inc.	34,384	4,595
Synchrony Financial	154,426	3,623	HCA Healthcare Inc.	62,648	7,796	* United Continental Holdings Inc.	53,227	4,457
Fifth Third Bancorp	153,114	3,603	Baxter International Inc.	115,293	7,589	Rockwell Automation Inc.	28,156	4,237
KeyCorp	241,082	3,563	* Edwards Lifesciences Corp.	48,722	7,463	Stanley Black & Decker Inc.	35,227	4,218
Ameriprise Financial Inc.	32,514	3,393	* Regeneron Pharmaceuticals Inc.	18,083	6,754	* Verisk Analytics Inc. Class A	38,272	4,173
Citizens Financial Group Inc.	109,267	3,248	* Centene Corp.	47,903	5,523	* IHS Markit Ltd.	83,507	4,006
Regions Financial Corp.	241,212	3,227	* Alexion Pharmaceuticals Inc.	52,003	5,063	* TransDigm Group Inc.	11,328	3,852
Arthur J Gallagher & Co.	42,874	3,160	McKesson Corp.	45,574	5,035	Harris Corp.	27,359	3,684
MSCI Inc. Class A	20,500	3,022	Agilent Technologies Inc.	74,231	5,008	Republic Services Inc. Class A	50,802	3,662
Huntington Bancshares Inc.	248,860	2,966	Zimmer Biomet Holdings Inc.	47,515	4,928	AMETEK Inc.	54,004	3,656
			* IQVIA Holdings Inc.	36,857	4,282			
			* Cerner Corp.	77,076	4,042			
			ResMed Inc.	33,227	3,784			
			* IDEXX Laboratories Inc.	20,170	3,752			
			* Align Technology Inc.	17,000	3,560			

## Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Fastenal Co.	66,868	3,497	* Fiserv Inc.	92,790	6,819	Mosaic Co.	82,943	2,423
Cintas Corp.	20,150	3,385	* Autodesk Inc.	51,071	6,568	Eastman Chemical Co.	32,506	2,377
L3 Technologies Inc.	18,381	3,192	TE Connectivity Ltd.	79,979	6,049	CF Industries Holdings Inc.	53,765	2,339
American Airlines Group Inc.	95,708	3,073	Amphenol Corp. Class A	70,200	5,688	FMC Corp.	31,294	2,314
WW Grainger Inc.	10,664	3,011	Corning Inc.	186,588	5,637	Westrock Co.	59,540	2,248
Xylem Inc.	41,848	2,792	Xilinx Inc.	58,997	5,025	Albemarle Corp.	24,740	1,907
Expeditors International of Washington Inc.	40,490	2,757	Lam Research Corp.	36,125	4,919	Packaging Corp. of America	22,075	1,842
CH Robinson Worldwide Inc.	31,882	2,681	Paychex Inc.	74,499	4,854	Avery Dennison Corp.	20,128	1,808
Equifax Inc.	28,220	2,628	Motorola Solutions Inc.	38,222	4,397	Sealed Air Corp.	36,796	1,282
Textron Inc.	56,490	2,598	Hewlett Packard Enterprise Co.	332,040	4,386			<b>134,090</b>
Dover Corp.	34,154	2,423	^ Microchip Technology Inc.	55,007	3,956	<b>Real Estate (2.9%)</b>		
* Copart Inc.	47,900	2,289	* FleetCor Technologies Inc.	20,700	3,844	American Tower Corp.	102,740	16,252
Kansas City Southern	23,857	2,277	Global Payments Inc.	36,905	3,806	Simon Property Group Inc.	72,398	12,162
Masco Corp.	70,755	2,069	* Advanced Micro Devices Inc.	205,781	3,799	Crown Castle International Corp.	96,629	10,497
* United Rentals Inc.	19,558	2,005	* VeriSign Inc.	24,750	3,670	Prologis Inc.	146,621	8,610
Nielsen Holdings plc	82,445	1,923	NetApp Inc.	58,773	3,507	Public Storage	34,969	7,078
Huntington Ingalls Industries Inc.	10,000	1,903	DXC Technology Co.	65,462	3,481	Equinix Inc.	18,774	6,619
Snap-on Inc.	13,036	1,894	Maxim Integrated Products Inc.	64,478	3,279	Welltower Inc.	87,431	6,069
JB Hunt Transport Services Inc.	20,280	1,887	KLA-Tencor Corp.	35,693	3,194	Equity Residential	85,804	5,664
Allegion plc	22,193	1,769	Total System Services Inc.	39,148	3,182	AvalonBay Communities Inc.	32,204	5,605
Alaska Air Group Inc.	28,714	1,747	Citrix Systems Inc.	29,796	3,053	Digital Realty Trust Inc.	48,141	5,129
Arconic Inc.	99,459	1,677	* Synopsys Inc.	34,722	2,925	Ventas Inc.	83,297	4,880
Robert Half International Inc.	28,539	1,632	* Cadence Design Systems Inc.	65,461	2,846	Realty Income Corp.	68,957	4,347
Jacobs Engineering Group Inc.	27,672	1,618	Symantec Corp.	149,652	2,828	* SBA Communications Corp. Class A	26,341	4,264
AO Smith Corp.	33,164	1,416	* ANSYS Inc.	19,548	2,794	Boston Properties Inc.	36,087	4,062
Pentair plc	37,474	1,416	Skyworks Solutions Inc.	41,387	2,774	Weyerhaeuser Co.	174,225	3,809
Fortune Brands Home & Security Inc.	33,033	1,255	* Keysight Technologies Inc.	43,700	2,713	Essex Property Trust Inc.	15,457	3,790
Rollins Inc.	34,050	1,229	* Gartner Inc.	21,197	2,710	HCP Inc.	111,931	3,126
Flowserve Corp.	30,244	1,150	Broadridge Financial Solutions Inc.	27,100	2,608	* CBRE Group Inc. Class A	74,116	2,968
Fluor Corp.	32,376	1,042	* Arista Networks Inc.	12,200	2,571	Alexandria Real Estate Equities Inc.	25,226	2,907
Quanta Services Inc.	34,194	1,029	Western Digital Corp.	67,398	2,492	Host Hotels & Resorts Inc.	173,518	2,893
		<b>451,233</b>	* Fortinet Inc.	33,800	2,380	Extra Space Storage Inc.	29,382	2,658
<b>Information Technology (20.0%)</b>			* Akamai Technologies Inc.	38,252	2,336	UDR Inc.	64,578	2,559
Microsoft Corp.	1,803,061	183,137	Seagate Technology plc	60,450	2,333	Mid-America Apartment Communities Inc.	26,447	2,531
Apple Inc.	1,051,784	165,908	* F5 Networks Inc.	14,106	2,286	Vornado Realty Trust	40,094	2,487
Visa Inc. Class A	410,315	54,137	Jack Henry & Associates Inc.	18,000	2,277	Regency Centers Corp.	39,645	2,326
Intel Corp.	1,065,439	50,001	Juniper Networks Inc.	80,371	2,163	Duke Realty Corp.	84,108	2,178
Cisco Systems Inc.	1,050,146	45,503	* Qorvo Inc.	29,149	1,770	Iron Mountain Inc.	66,969	2,170
Mastercard Inc. Class A	212,150	40,022	Western Union Co.	103,485	1,765	Federal Realty Investment Trust	17,198	2,030
Oracle Corp.	594,194	26,828	Alliance Data Systems Corp.	11,005	1,652	Apartment Investment & Management Co.	36,433	1,599
* Adobe Inc.	113,865	25,761	FLIR Systems Inc.	32,063	1,396	SL Green Realty Corp.	20,054	1,586
Broadcom Inc.	96,414	24,516	Xerox Corp.	47,886	946	Kimco Realty Corp.	97,522	1,429
* salesforce.com Inc.	178,420	24,438	* IPG Photonics Corp.	8,300	940	Macerich Co.	24,377	1,055
International Business Machines Corp.	211,878	24,084			<b>986,967</b>			
* PayPal Holdings Inc.	274,774	23,106	<b>Materials (2.7%)</b>			<b>Utilities (3.3%)</b>		
Texas Instruments Inc.	223,969	21,165	DowDuPont Inc.	535,006	28,612	NextEra Energy Inc.	111,589	19,396
Accenture plc Class A	148,564	20,949	Linde plc	128,434	20,041	Duke Energy Corp.	166,236	14,346
NVIDIA Corp.	142,206	18,984	Ecolab Inc.	59,575	8,778	Dominion Energy Inc.	152,910	10,927
QUALCOMM Inc.	282,649	16,086	Air Products & Chemicals Inc.	51,135	8,184	Southern Co.	240,092	10,545
Automatic Data Processing Inc.	102,033	13,379	Sherwin-Williams Co.	19,193	7,552	Exelon Corp.	226,223	10,203
Intuit Inc.	60,559	11,921	LyondellBasell Industries NV Class A	73,396	6,104	American Electric Power Co. Inc.	114,663	8,570
Cognizant Technology Solutions Corp. Class A	135,144	8,579	PPG Industries Inc.	56,075	5,733	Sempra Energy	63,811	6,904
* Micron Technology Inc.	261,198	8,288	Newmont Mining Corp.	124,381	4,310	Public Service Enterprise Group Inc.	117,987	6,141
Fidelity National Information Services Inc.	76,374	7,832	International Paper Co.	94,506	3,814	Xcel Energy Inc.	119,740	5,899
HP Inc.	369,640	7,563	Nucor Corp.	73,360	3,801	Consolidated Edison Inc.	72,567	5,548
Applied Materials Inc.	229,504	7,514	Ball Corp.	78,944	3,630	WEC Energy Group Inc.	73,702	5,105
Analog Devices Inc.	86,212	7,400	Freeport-McMoRan Inc.	337,290	3,477	Eversource Energy	73,834	4,802
* Red Hat Inc.	41,268	7,248	International Flavors & Fragrances Inc.	23,597	3,168	PPL Corp.	167,969	4,758
			Vulcan Materials Co.	30,777	3,041	DTE Energy Co.	42,448	4,682
			Celanese Corp. Class A	31,200	2,807	Edison International	76,013	4,315
			Martin Marietta Materials Inc.	14,534	2,498	FirstEnergy Corp.	113,102	4,247

Equity Index Portfolio

	Shares	Market Value* (\$000)
American Water Works Co. Inc.	42,085	3,820
Ameren Corp.	57,011	3,719
Entergy Corp.	42,393	3,649
Evergy Inc.	61,400	3,486
CenterPoint Energy Inc.	116,589	3,291
CMS Energy Corp.	66,060	3,280
* PG&E Corp.	121,125	2,877
NRG Energy Inc.	67,974	2,692
* Alliant Energy Corp.	55,453	2,343
Pinnacle West Capital Corp.	26,357	2,246
AES Corp.	153,970	2,226
NiSource Inc.	84,051	2,131
SCANA Corp.	33,151	1,584
		<b>163,732</b>
<b>Total Common Stocks (Cost \$3,488,104)</b>		<b>4,907,876</b>
<b>Temporary Cash Investments (0.5%)<sup>1</sup></b>		
<b>Money Market Fund (0.5%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.530%	248,264	24,826
	Face Amount (\$000)	
<b>U.S. Government and Agency Obligations (0.0%)</b>		
<sup>4</sup> United States Treasury Bill, 2.423%, 4/11/19	600	596
<sup>4</sup> United States Treasury Bill, 2.474%, 5/9/19	1,200	1,190
		<b>1,786</b>
<b>Total Temporary Cash Investments (Cost \$26,611)</b>		<b>26,612</b>
<b>Total Investments (100.0%) (Cost \$3,514,715)</b>		<b>4,934,488</b>

	Amount (\$000)
<b>Other Assets and Liabilities (0.0%)</b>	
<b>Other Assets</b>	
Investment in Vanguard	284
Receivables for Investment Securities Sold	1,482
Receivables for Accrued Income	5,727
Receivables for Capital Shares Issued	5,434
Variation Margin Receivable—	
Futures Contracts	209
Other Assets	20
<b>Total Other Assets</b>	<b>13,156</b>
<b>Liabilities</b>	
Payables for Investment Securities	
Purchased	(5,779)
Collateral for Securities on Loan	(1,291)
Payables for Capital Shares Redeemed	(4,402)
Payables to Vanguard	(2,502)
<b>Total Liabilities</b>	<b>(13,974)</b>
<b>Net Assets (100%)</b>	
Applicable to 129,744,811 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)	4,933,670
<b>Net Asset Value Per Share</b>	<b>\$38.03</b>

**At December 31, 2018, net assets consisted of:**

	Amount (\$000)
Paid-in Capital	3,275,082
Total Distributable Earnings (Loss)	1,658,588
<b>Net Assets</b>	<b>4,933,670</b>

- See Note A in Notes to Financial Statements.
- \* Non-income-producing security.
- <sup>^</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$1,252,000.
- <sup>1</sup> The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.0% and 0.0%, respectively, of net assets.
- <sup>2</sup> Includes \$1,291,000 of collateral received for securities on loan.
- <sup>3</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
- <sup>4</sup> Securities with a value of \$1,637,000 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)
<b>Long Futures Contracts</b>				
E-mini S&P 500 Index	March 2019	206	25,804	300

## Statement of Operations

	Year Ended December 31, 2018
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	110,745
Interest <sup>1</sup>	360
Securities Lending—Net	24
Total Income	111,129
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	808
Management and Administrative	5,825
Marketing and Distribution	708
Custodian Fees	31
Auditing Fees	77
Shareholders' Reports	44
Trustees' Fees and Expenses	4
Total Expenses	7,497
<b>Net Investment Income</b>	<b>103,632</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	138,300
Futures Contracts	499
<b>Realized Net Gain (Loss)</b>	<b>138,799</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	(473,943)
Futures Contracts	133
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(473,810)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(231,379)</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were \$330,000, (\$8,000), and \$2,000, respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Year Ended December 31,	
	2018	2017
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	103,632	87,861
Realized Net Gain (Loss)	138,799	85,733
Change in Unrealized Appreciation (Depreciation)	(473,810)	757,762
Net Increase (Decrease) in Net Assets Resulting from Operations	(231,379)	931,356
<b>Distributions</b>		
Net Investment Income	(88,315)	(85,191)
Realized Capital Gain <sup>1</sup>	(85,966)	(145,507)
Total Distributions	(174,281)	(230,698)
<b>Capital Share Transactions</b>		
Issued	560,449	429,437
Issued in Lieu of Cash Distributions	174,281	230,698
Redeemed	(573,178)	(512,346)
Net Increase (Decrease) from Capital Share Transactions	161,552	147,789
Total Increase (Decrease)	(244,108)	848,447
<b>Net Assets</b>		
Beginning of Period	5,177,778	4,329,331
End of Period	4,933,670	5,177,778

<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.

## Financial Highlights

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

<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. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the year ended December 31, 2018, the portfolio's average investments in long and short futures contracts represented less than 1% and 0%, respectively, of net assets, based on the average of the notional amounts at each quarter-end during the period.

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

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

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

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

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group (“Vanguard”) participate in a \$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.

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, 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 \$284,000, 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 December 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	4,907,876	—	—
Temporary Cash Investments	24,826	1,786	—
Futures Contracts—Assets <sup>1</sup>	209	—	—
Total	4,932,911	1,786	—

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



D. Permanent differences between book-basis and tax-basis components of net assets, if any, 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.

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. The differences are primarily related to the tax deferral of losses on wash sales and the realization of unrealized gains or losses on certain futures contracts. 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	108,341
Undistributed Long-Term Gains	132,648
Capital Loss Carryforwards (Non-expiring)	—
Net Unrealized Gains (Losses)	1,419,773

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	3,514,715
Gross Unrealized Appreciation	1,872,732
Gross Unrealized Depreciation	(452,959)
Net Unrealized Appreciation (Depreciation)	1,419,773

E. During the year ended December 31, 2018, the portfolio purchased \$352,550,000 of investment securities and sold \$258,671,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2018 Shares (000)	2017 Shares (000)
Issued	13,586	11,409
Issued in Lieu of Cash Distributions	4,242	6,442
Redeemed	(13,844)	(13,593)
Net Increase (Decrease) in Shares Outstanding	3,984	4,258

At December 31, 2018, two shareholders (an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Total Stock Market Index Portfolio), were each the record or beneficial owner of 25% or more of the portfolio's net assets, with a combined ownership of 64%. 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 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 Equity Index Portfolio

### Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Equity Index 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 and by agreement to the underlying ownership records of the transfer agent; 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 14, 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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### Special 2018 tax information (unaudited) for corporate shareholders only for Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds

This information for the fiscal year ended December 31, 2018, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The portfolio distributed \$83,856,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

For corporate shareholders, 94.2% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

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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](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>Joseph Brennan</b>	<b>Chris D. McIsaac</b>
<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>

**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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