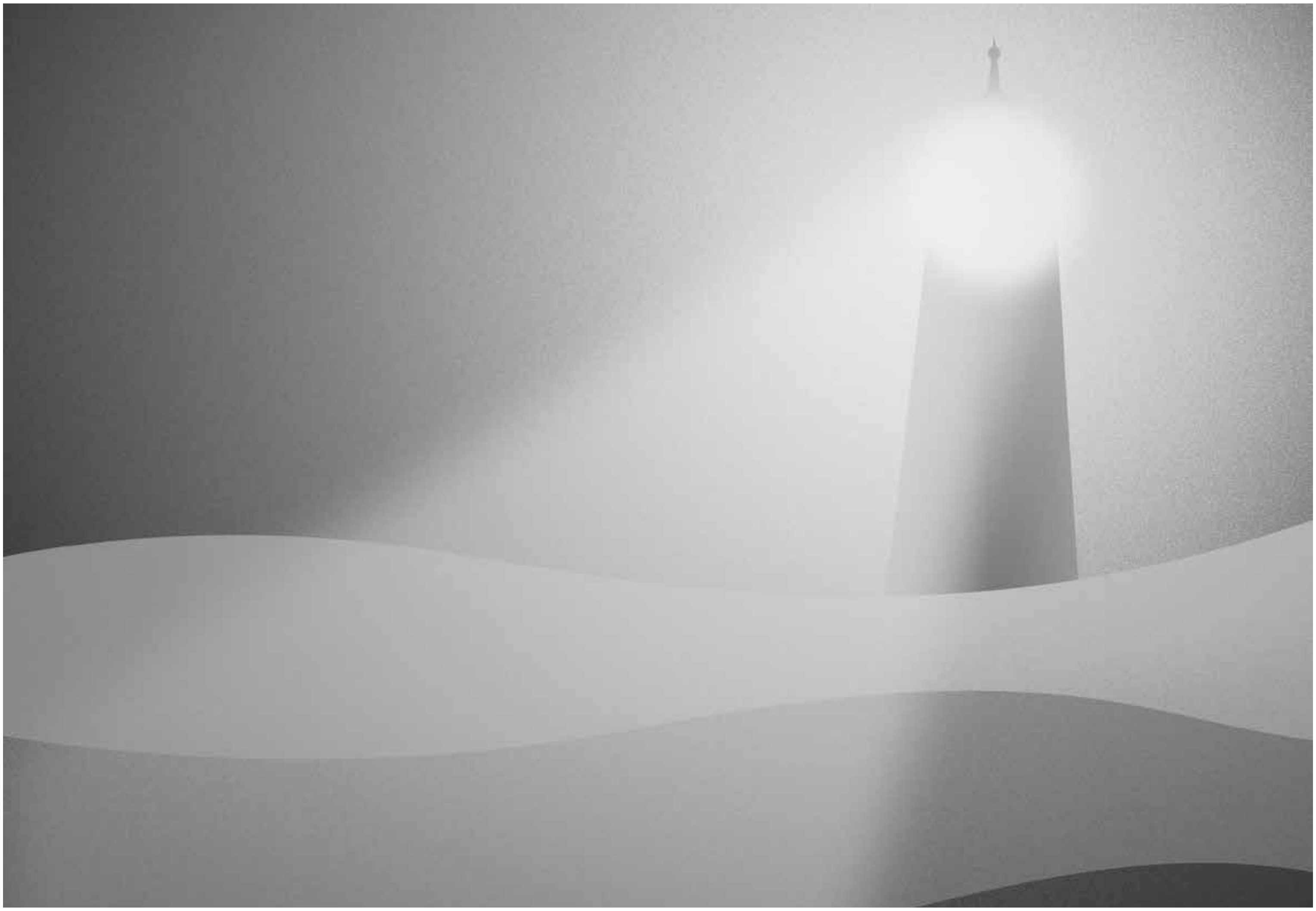


Semiannual Report | June 30, 2018

Vanguard Variable Insurance Fund

High Yield Bond 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.

Contents

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,

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[1]
Stocks			
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
Bonds			
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
CPI			
Consumer Price Index	2.22%	2.87%	1.54%

1 Annualized.

High Yield Bond Portfolio

Advisor's Report

The investment environment

For the six months ended June 30, 2018, the High Yield Bond Portfolio returned –1.05%, compared with the benchmark return of –0.48%. Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

High-yield markets were hurt by rising interest rates and widening credit spreads amid a backdrop of political uncertainty in Europe and escalating tensions between the United States and its trading partners. Monetary policy continued on an incrementally less accommodative path as the Federal Reserve increased interest rates twice during the period and projected two more hikes later this year. The 10-year U.S. Treasury yield finished the period at 2.86%, up from 2.41% at the end of December 2017 as stronger inflation data and the potential impact of trade tariffs increased inflation expectations. This dynamic weighed on bond prices, because bond yields and prices generally move in opposite directions.

Corporate credit spreads widened, further pressuring bond prices, as concerns about the impact of protectionist U.S. trade policies on global growth offset generally solid corporate earnings. The spread of the high-yield market widened to 363 basis points over Treasuries as of June 30, from 343 basis points at the end of 2017. (A basis point is one-hundredth of a percentage point.) The average price of high-yield bonds decreased $3, to $98.

There was some dispersion in performance by credit quality over the period. The high-yield market continued to favor relatively lower-credit-quality bonds amid the insatiable search for yield. CCC-rated bonds performed best, returning 3.17%, according to Bloomberg Barclays U.S. Corporate High Yield Bond Index data. Higher-rated BB-rated bonds returned –1.77%; B-rated bonds returned 0.86%.

We remain positive about high-yield bonds given the backdrop of stable corporate fundamentals, a supportive macroeconomic landscape, and strong demand for yield-producing assets. We expect U.S. GDP growth in 2018, driven by consumer spending and corporate investment, and believe that most high-yield companies will be able to sustain solid credit profiles in that environment. Although global political risks remain, valuations appear reasonable relative to our outlook, particularly given our expectation for a benign default rate in 2018. Moody's trailing 12-month global issuer-weighted speculative-grade default rate ended May at 3.1%, below the long-term average of 4.2%. Although bouts of volatility may persist, we continue to take a long-term, issuer-specific approach to finding opportunities in this market.

Prevailing global political uncertainty and escalating trade tensions may contribute to periods of volatility. However, most of the high-yield companies in our opportunity set operate in domestically focused industries. Because we remain positive about conditions in the United States, we favor issuers expected to benefit from a growing domestic economy. The tax legislation enacted last year provides fiscal stimulus at a time of full employment, which could further spur GDP growth. We have seen benefits from the law in corporate earnings results, and we expect this to provide a bigger boost over the second half of the year.

The tax law will affect companies differently depending on their current tax rate, leverage profile, and other factors, so we expect there to be winners and losers among individual high-yield issuers. We will continue to take an issuer-specific approach to investing in the high-yield market. Longer term, we believe the law could have the overall net effect of reducing corporate debt issuance, a supply reduction that could support bond prices.

Total Returns

	Six Months Ended June 30, 2018
High Yield Bond Portfolio	-1.05%
High-Yield Corporate Composite Index[1]	-0.48
Variable Insurance High Yield Funds Average[2]	-0.21

Expense Ratios[3]
Your Portfolio Compared With Its Peer Group

	Portfolio	Variable Insurance High Yield Funds Average
High Yield Bond Portfolio	0.28%	0.87%

1 Consists of 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg Barclays U.S. 1-5 Year Treasury Bond Index.
2 Derived from data provided by Lipper, a Thomson Reuters Company.
3 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 0.27%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

The portfolio's shortfalls

Positioning and security section within the wireline sector and the cable and satellite sector detracted from relative returns. Security selection within autos also hurt.

The portfolio's successes

The portfolio benefited from an overweight allocation to and positive credit selection in health care and energy, as well as positive credit selection among retail businesses.

The portfolio's positioning

The portfolio remains consistent in its investment objective and strategy and maintains a meaningful exposure to relatively higher-quality companies within the high-yield market. We believe these companies have more stable credit profiles and greater predictability of cash flows than those at the lower end of the quality spectrum. We prefer higher-quality credits in an effort to minimize defaults and to provide stable income. We continue to diversify the portfolio's holdings by issuer and industry. We also deemphasize non-cash-paying securities, preferred stocks, and equity-linked securities, such as convertibles, because of their potential for volatility.

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

Wellington Management Company LLP

July 18, 2018

Portfolio Profile

As of June 30, 2018

Financial Attributes

	Portfolio	Comparative Index[1]	Broad Index[2]
Number of Bonds	484	1,817	1,991
Yield[3]	5.6%	5.8%	6.5%
Yield to Maturity	6.2%[4]	6.0%	6.7%
Average Coupon	5.9%	5.9%	6.4%
Average Effective Maturity	6.1 years	5.4 years	5.4 years
Average Duration	4.5 years	4.0 years	3.9 years
Expense Ratio[5]	0.28%	—	—
Short-Term Reserves	6.7%	—	—

Volatility Measures

	Portfolio Versus Comparative Index[1]	Portfolio Versus Broad Index[2]
R-Squared	0.97	0.94
Beta	0.91	0.74

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	5.4%
1–5 Years	27.7
5–10 Years	58.4
10–20 Years	3.2
20–30 Years	2.9
Over 30 Years	2.4

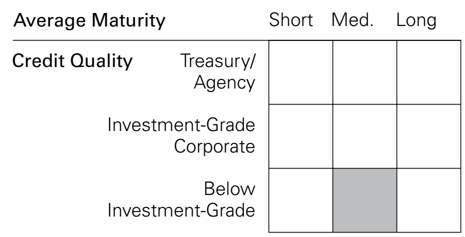
Sector Diversification[6] (% of portfolio)

Basic Industry	6.7%
Capital Goods	9.9
Communication	21.0
Consumer Cyclical	10.8
Consumer Non-Cyclical	12.4
Energy	14.0
Finance	10.5
Technology	8.1
Transportation	0.8
Treasury/Agency	0.2
Utilities	1.8
Other	3.8

Distribution by Credit Quality (% of portfolio)

Baa	3.2%
Ba	46.5
B	42.0
Caa	7.2
Ca	0.3
C	0.6
Not Rated	0.2

Investment Focus



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.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

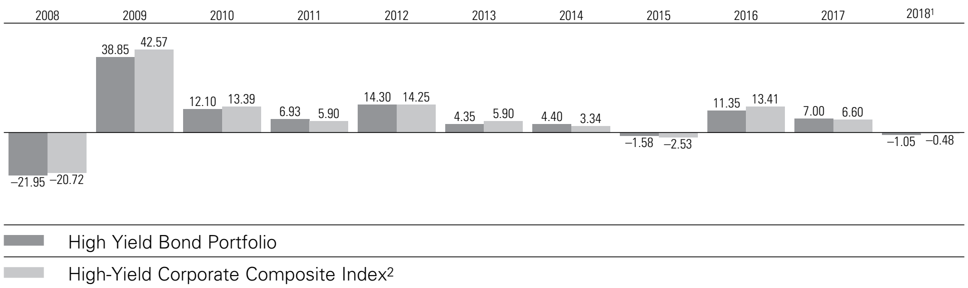
R-Squared. A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no 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.

1 High-Yield Corporate Composite Index.
2 Bloomberg Barclays U.S. Corporate High Yield Bond Index.
3 30-day SEC yield for the portfolio; index yield assumes that all bonds are called or prepaid at the earliest possible dates.
4 Before expenses.
5 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 0.27%.
6 The agency sector may include issues from government-sponsored enterprises; such issues are not backed by the full faith and credit of the U.S. government.

Performance Summary

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

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



Average Annual Total Returns: Periods Ended June 30, 2018

				Ten Years		
	Inception Date	One Year	Five Years	Capital	Income	Total
High Yield Bond Portfolio	6/3/1996	0.93%	4.92%	0.35%	6.38%	6.73%

1 Six months ended June 30, 2018.
2 Consists of 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg Barclays U.S. 1–5 Year Treasury Bond Index.
See Financial Highlights for dividend and capital gains information.

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 of the report for further information).

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Corporate Bonds (93.3%)				
	Finance (10.6%)				
	Banking (3.3%)				
	Ally Financial Inc.	4.625%	5/19/22	105	105
	Ally Financial Inc.	5.125%	9/30/24	480	488
	Ally Financial Inc.	4.625%	3/30/25	885	872
	Ally Financial Inc.	5.750%	11/20/25	3,415	3,483
	Ally Financial Inc.	8.000%	11/1/31	215	256
1	Banco Bilbao Vizcaya Argentaria SA	6.125%	2/16/66	3,000	2,655
1,2	BNP Paribas SA	6.750%	3/14/66	1,805	1,792
1	Credit Suisse AG	6.250%	12/31/50	4,680	4,582
1	ING Groep NV	6.875%	4/16/66	2,400	2,447
3	Intesa Sanpaolo SPA	5.710%	1/15/26	1,505	1,373
	Royal Bank of Scotland Group plc	6.125%	12/15/22	1,635	1,719
1	UBS Group AG	6.875%	3/22/66	3,700	3,791
	Finance Companies (4.5%)				
1,3	AerCap Global Aviation Trust	6.500%	6/15/45	3,950	4,123
	Aircastle Ltd.	5.125%	3/15/21	30	31
	Aircastle Ltd.	5.500%	2/15/22	830	852
	Aircastle Ltd.	5.000%	4/1/23	715	719
	Aircastle Ltd.	4.125%	5/1/24	1,860	1,783
	CIT Group Inc.	5.000%	8/15/22	1,205	1,217
3	Freedom Mortgage Corp.	8.250%	4/15/25	740	725
	Navient Corp.	7.250%	1/25/22	615	643
	Navient Corp.	6.500%	6/15/22	4,450	4,539
	Navient Corp.	5.500%	1/25/23	2,325	2,273
	Navient Corp.	7.250%	9/25/23	590	618
	Navient Corp.	6.750%	6/25/25	5,180	5,154
	Navient Corp.	6.750%	6/15/26	730	715
	Navient Corp.	5.625%	8/1/33	1,052	884
	Springleaf Finance Corp.	5.250%	12/15/19	210	213
	Springleaf Finance Corp.	8.250%	12/15/20	1,445	1,561
	Springleaf Finance Corp.	7.750%	10/1/21	1,965	2,122
	Springleaf Finance Corp.	6.125%	5/15/22	385	394
	Springleaf Finance Corp.	8.250%	10/1/23	515	566
	Springleaf Finance Corp.	6.875%	3/15/25	715	711
	Springleaf Finance Corp.	7.125%	3/15/26	2,764	2,754
	Insurance (2.2%)				
1	Aegon NV	5.500%	4/11/48	2,220	2,120
2,4,5	Asurion LLC. Bank Loan	0.000%	11/29/24	3,110	3,094
	Genworth Holdings Inc.	7.700%	6/15/20	130	134
	Genworth Holdings Inc.	7.200%	2/15/21	830	844
	Genworth Holdings Inc.	7.625%	9/24/21	760	776
	Genworth Holdings Inc.	4.900%	8/15/23	1,475	1,289
	Genworth Holdings Inc.	4.800%	2/15/24	475	412
3	Liberty Mutual Group Inc.	7.800%	3/15/37	1,560	1,849
	MGIC Investment Corp.	5.750%	8/15/23	725	738
	Radian Group Inc.	4.500%	10/1/24	2,145	2,070
1	Voya Financial Inc.	5.650%	5/15/53	2,725	2,745
	Other Finance (0.4%)				
	CNO Financial Group Inc.	4.500%	5/30/20	150	150
	CNO Financial Group Inc.	5.250%	5/30/25	1,865	1,853
2,4,5	Trans Union LLC Bank Loan	0.000%	6/12/25	1,140	1,135
	Real Estate Investment Trusts (0.2%)				
	Felcor Lodging LP	6.000%	6/1/25	1,400	1,433
3	Starwood Property Trust Inc.	4.750%	3/15/25	40	39
					76,841
	Industrial (81.2%)				
	Basic Industry (6.5%)				
	AK Steel Corp.	7.625%	10/1/21	355	362
	AK Steel Corp.	7.500%	7/15/23	2,395	2,506
	AK Steel Corp.	6.375%	10/15/25	300	279
	AK Steel Corp.	7.000%	3/15/27	2,420	2,302
3	Alliance Resource Operating Partners LP / Alliance Resource Finance Corp.	7.500%	5/1/25	2,823	2,992
	ArcelorMittal	6.125%	6/1/25	670	722
	Chemours Co.	6.625%	5/15/23	1,327	1,388
	Chemours Co.	7.000%	5/15/25	2,640	2,831
	Chemours Co.	5.375%	5/15/27	625	605
3	Commercial Metals Co.	5.750%	4/15/26	815	794
	Commercial Metals Co.	5.375%	7/15/27	565	538
3	Constellium NV	5.750%	5/15/24	1,085	1,054
3	Constellium NV	6.625%	3/1/25	2,485	2,497
3,6	Constellium NV	4.250%	2/15/26	120	136
3	Constellium NV	5.875%	2/15/26	260	251
3,6	CTC BondCo GmbH	5.250%	12/15/25	425	472
3	First Quantum Minerals Ltd.	7.000%	2/15/21	1,820	1,838
3	First Quantum Minerals Ltd.	7.250%	5/15/22	1,580	1,596
3	First Quantum Minerals Ltd.	6.500%	3/1/24	710	685
3	First Quantum Minerals Ltd.	6.875%	3/1/26	585	560
3	FMG Resources August 2006 Pty Ltd.	4.750%	5/15/22	635	613
3	FMG Resources August 2006 Pty Ltd.	5.125%	3/15/23	1,980	1,936
3	FMG Resources August 2006 Pty Ltd.	5.125%	5/15/24	610	580
	Graphic Packaging International Inc.	4.125%	8/15/24	1,125	1,080
3	New Gold Inc.	6.250%	11/15/22	1,149	1,160
3	New Gold Inc.	6.375%	5/15/25	910	901
3	Novelis Corp.	6.250%	8/15/24	1,580	1,578
3	Novelis Corp.	5.875%	9/30/26	2,335	2,233
	Olin Corp.	5.125%	9/15/27	1,685	1,637
	Olin Corp.	5.000%	2/1/30	325	307
	Steel Dynamics Inc.	5.125%	10/1/21	1,320	1,333
	Steel Dynamics Inc.	5.500%	10/1/24	1,275	1,301
	Steel Dynamics Inc.	4.125%	9/15/25	70	67
	Steel Dynamics Inc.	5.000%	12/15/26	270	269
	Teck Resources Ltd.	3.750%	2/1/23	295	280
3	Teck Resources Ltd.	8.500%	6/1/24	1,395	1,526
	Teck Resources Ltd.	6.125%	10/1/35	235	238
	Teck Resources Ltd.	6.000%	8/15/40	200	195
	Teck Resources Ltd.	6.250%	7/15/41	645	642
	Teck Resources Ltd.	5.200%	3/1/42	150	131
	Teck Resources Ltd.	5.400%	2/1/43	1,450	1,303
3	Tronox Finance plc	5.750%	10/1/25	30	29
3	Tronox Inc.	6.500%	4/15/26	1,265	1,256
	United States Steel Corp.	7.375%	4/1/20	1,034	1,093
	United States Steel Corp.	6.650%	6/1/37	460	418
3	Versum Materials Inc.	5.500%	9/30/24	640	649
	Capital Goods (9.9%)				
3	American Builders & Contractors Supply Co. Inc.	5.875%	5/15/26	1,840	1,810
3	ARD Finance SA	7.125%	9/15/23	1,140	1,137

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	ARD Finance SA	7.125%	9/15/23	655	653
3	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	7.250%	5/15/24	1,415	1,468
3	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	6.000%	2/15/25	3,365	3,264
3,7	Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc.	4.750%	7/15/27	160	202
3	Ashtead Capital Inc.	4.125%	8/15/25	1,325	1,236
3	Ashtead Capital Inc.	4.375%	8/15/27	1,545	1,437
	Ball Corp.	4.875%	3/15/26	2,815	2,804
3	Beacon Escrow Corp.	4.875%	11/1/25	2,285	2,102
3	Berry Global Inc.	4.500%	2/15/26	1,420	1,324
3	Bombardier Inc.	7.750%	3/15/20	2,350	2,482
3	Bombardier Inc.	6.125%	1/15/23	1,588	1,592
3	Bombardier Inc.	7.500%	3/15/25	1,412	1,470
3	CD&R Waterworks Merger Sub LLC	6.125%	8/15/25	160	152
3	Cemex Finance LLC	6.000%	4/1/24	290	294
3	Cemex SAB de CV	6.125%	5/5/25	3,580	3,620
3	Cemex SAB de CV	7.750%	4/16/26	735	795
	Clean Harbors Inc.	5.250%	8/1/20	1,592	1,596
	Clean Harbors Inc.	5.125%	6/1/21	2,033	2,041
	CNH Industrial NV	4.500%	8/15/23	765	768
3	Crown Americas LLC / Crown Americas Capital Corp. VI	4.750%	2/1/26	710	674
3,6	Crown European Holdings SA	2.875%	2/1/26	1,555	1,716
3	Flex Acquisition Co. Inc.	6.875%	1/15/25	3,770	3,638
3	Jeld-Wen Inc.	4.625%	12/15/25	345	329
3	Jeld-Wen Inc.	4.875%	12/15/27	350	325
	Lennar Corp.	4.750%	11/29/27	1,285	1,198
3,6	Loxam SAS	4.250%	4/15/24	190	230
3,6	Loxam SAS	6.000%	4/15/25	185	228
3	OI European Group BV	4.000%	3/15/23	660	615
3	Owens-Brockway Glass Container Inc.	5.875%	8/15/23	895	904
3	Owens-Brockway Glass Container Inc.	6.375%	8/15/25	355	364
	PulteGroup Inc.	5.500%	3/1/26	1,245	1,232
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.750%	10/15/20	955	955
3	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	5.125%	7/15/23	2,240	2,212
3	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu	7.000%	7/15/24	440	449
3	Standard Industries Inc.	5.500%	2/15/23	295	300
3	Standard Industries Inc.	5.375%	11/15/24	1,385	1,368
3	Standard Industries Inc.	6.000%	10/15/25	4,295	4,311
3	Standard Industries Inc.	5.000%	2/15/27	495	462
3	Standard Industries Inc.	4.750%	1/15/28	1,025	940
	TransDigm Inc.	6.500%	7/15/24	1,600	1,624
	TransDigm Inc.	6.500%	5/15/25	2,635	2,665
	TransDigm Inc.	6.375%	6/15/26	1,250	1,241
	United Rentals North America Inc.	4.625%	7/15/23	840	838
	United Rentals North America Inc.	5.750%	11/15/24	600	610
	United Rentals North America Inc.	5.500%	7/15/25	1,025	1,033
	United Rentals North America Inc.	4.625%	10/15/25	1,665	1,590
	United Rentals North America Inc.	5.875%	9/15/26	1,215	1,227
	United Rentals North America Inc.	5.500%	5/15/27	2,125	2,061
	United Rentals North America Inc.	4.875%	1/15/28	2,095	1,946
3	USG Corp.	5.500%	3/1/25	263	271
3	USG Corp.	4.875%	6/1/27	1,430	1,462
	Communication (19.4%)				
3	Altice Financing SA	6.625%	2/15/23	1,365	1,341
3	Altice France SA	6.250%	5/15/24	550	534
3	Altice France SA	7.375%	5/1/26	1,150	1,123
3	Altice Luxembourg SA	7.625%	2/15/25	1,200	1,104
3	Altice US Finance I Corp.	5.500%	5/15/26	2,500	2,406
	Belo Corp.	7.750%	6/1/27	920	977
	Belo Corp.	7.250%	9/15/27	616	634
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	3/15/21	250	252
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.250%	9/30/22	365	367
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	2/15/23	400	396
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.125%	5/1/23	2,990	2,953
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	9/1/23	1,150	1,159
	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	1/15/24	145	145
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.375%	5/1/25	2,141	2,071
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.750%	2/15/26	1,450	1,421
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.500%	5/1/26	1,386	1,341
3	CCO Holdings LLC / CCO Holdings Capital Corp.	5.875%	5/1/27	445	434
3	Cequel Communications Holdings I LLC / Cequel Capital Corp.	5.125%	12/15/21	1,935	1,925
	Charter Communications Operating LLC / Charter Communications Operating Capital	6.484%	10/23/45	1,191	1,251
2,4	Crown Finance US Inc. Bank Loan	4.593%	2/22/25	3,681	3,654
	CSC Holdings LLC	6.750%	11/15/21	1,735	1,817
3	CSC Holdings LLC	5.500%	4/15/27	2,230	2,130
	DISH DBS Corp.	6.750%	6/1/21	3,805	3,805
	DISH DBS Corp.	5.875%	7/15/22	4,046	3,783
	DISH DBS Corp.	5.000%	3/15/23	1,384	1,201
	DISH DBS Corp.	5.875%	11/15/24	2,405	2,032
	DISH DBS Corp.	7.750%	7/1/26	3,610	3,154
	Embarq Corp.	7.995%	6/1/36	720	679
	Gannett Co. Inc.	6.375%	10/15/23	1,150	1,182
3	Gannett Co. Inc.	5.500%	9/15/24	320	322
3	Gray Television Inc.	5.125%	10/15/24	1,751	1,672
3	Gray Television Inc.	5.875%	7/15/26	1,170	1,110
	Lamar Media Corp.	5.750%	2/1/26	170	173
	Level 3 Financing Inc.	5.375%	8/15/22	2,515	2,515
	Level 3 Financing Inc.	5.625%	2/1/23	870	870
	Level 3 Financing Inc.	5.125%	5/1/23	1,120	1,098
	Liberty Interactive LLC	8.500%	7/15/29	1,465	1,573
	Liberty Interactive LLC	8.250%	2/1/30	3,945	4,132
	Netflix Inc.	5.500%	2/15/22	980	1,004
	Netflix Inc.	5.875%	2/15/25	1,495	1,532
	Netflix Inc.	4.375%	11/15/26	215	202
	Nokia Oyj	4.375%	6/12/27	1,165	1,090
3	Numericable Group SA	6.000%	5/15/22	1,575	1,585
	Quebecor Media Inc.	5.750%	1/15/23	2,635	2,691
	Qwest Corp.	6.875%	9/15/33	481	456
3	Sinclair Television Group Inc.	5.625%	8/1/24	200	199
3	Sinclair Television Group Inc.	5.875%	3/15/26	2,740	2,685
3	Sinclair Television Group Inc.	5.125%	2/15/27	1,975	1,817
2,4,5	Sinclair Television Group Inc. Bank Loan	0.000%	12/12/24	1,470	1,466
2,4,5	Sinclair Television Group Inc. Bank Loan	0.000%	12/12/24	150	150
2,4,5	Sinclair Television Group Inc. Bank Loan	0.000%	12/12/24	150	150
3	Sirius XM Radio Inc.	4.625%	5/15/23	390	382
	Sprint Capital Corp.	6.875%	11/15/28	4,575	4,381
	Sprint Capital Corp.	8.750%	3/15/32	2,315	2,477
3	Sprint Communications Inc.	7.000%	3/1/20	2,285	2,371
	Sprint Communications Inc.	6.000%	11/15/22	325	322
	Sprint Corp.	7.875%	9/15/23	9,159	9,502
	Sprint Corp.	7.125%	6/15/24	2,101	2,111
	Sprint Corp.	7.625%	2/15/25	1,625	1,657
	T-Mobile USA Inc.	5.375%	4/15/27	3,155	3,084
	Telecom Italia Capital SA	6.375%	11/15/33	381	374
	Telecom Italia Capital SA	6.000%	9/30/34	1,005	957
	Telecom Italia Capital SA	7.721%	6/4/38	1,280	1,386

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
3	Telenet Finance Luxembourg Notes Sarl	5.500%	3/1/28	3,600	3,287
	Time Warner Cable LLC	5.875%	11/15/40	60	59
	Time Warner Cable LLC	5.500%	9/1/41	1,523	1,417
	Tribune Media Co.	5.875%	7/15/22	1,945	1,952
3	Univision Communications Inc.	5.125%	5/15/23	550	529
3	Univision Communications Inc.	5.125%	2/15/25	6,040	5,572
3	UPCB Finance IV Ltd.	5.375%	1/15/25	800	756
1	Viacom Inc.	5.875%	2/28/57	1,933	1,827
1	Viacom Inc.	6.250%	2/28/57	944	899
	Videotron Ltd.	5.000%	7/15/22	3,763	3,810
3	Videotron Ltd.	5.375%	6/15/24	260	266
3	Virgin Media Finance plc	6.000%	10/15/24	945	907
3	Virgin Media Secured Finance plc	5.500%	1/15/25	1,210	1,174
3	Virgin Media Secured Finance plc	5.250%	1/15/26	2,527	2,334
3	Virgin Media Secured Finance plc	5.500%	8/15/26	355	333
3	VTR Finance BV	6.875%	1/15/24	2,720	2,737
3	WMG Acquisition Corp.	5.000%	8/1/23	740	734
3	WMG Acquisition Corp.	4.875%	11/1/24	1,105	1,076
3	WMG Acquisition Corp.	5.500%	4/15/26	2,461	2,430
	WPX Energy Inc.	5.750%	6/1/26	370	370
	Zayo Group LLC / Zayo Capital Inc.	6.000%	4/1/23	3,315	3,369
	Zayo Group LLC / Zayo Capital Inc.	6.375%	5/15/25	1,674	1,699
3	Zayo Group LLC / Zayo Capital Inc.	5.750%	1/15/27	445	437
	Consumer Cyclical (9.8%)				
3	1011778 BC ULC / New Red Finance Inc.	4.250%	5/15/24	1,755	1,667
3	1011778 BC ULC / New Red Finance Inc.	5.000%	10/15/25	2,795	2,641
3	Adient Global Holdings Ltd.	4.875%	8/15/26	4,475	4,027
3	APX Group Inc.	8.875%	12/1/22	4,155	4,145
2,4	Bass Pro Group, LLC Bank Loan	7.094%	12/15/23	1,920	1,925
	Cedar Fair LP / Canada's Wonderland Co. / Magnum Management Corp. / Millennium Op	5.375%	4/15/27	775	763
	Cedar Fair LP / Canada's Wonderland Co. / MagnumManagement Corp.	5.375%	6/1/24	835	843
3,6	CIRSA Gaming Co.	6.250%	12/20/23	1,310	1,508
3	CRC Escrow Issuer LLC / CRC Finco Inc.	5.250%	10/15/25	4,686	4,434
	Dana Holding Corp.	5.500%	12/15/24	1,055	1,042
	GLP Capital LP / GLP Financing II Inc.	4.375%	4/15/21	105	105
	GLP Capital LP / GLP Financing II Inc.	5.375%	11/1/23	2,630	2,692
	GLP Capital LP / GLP Financing II Inc.	5.375%	4/15/26	1,810	1,796
	Goodyear Tire & Rubber Co.	5.000%	5/31/26	1,614	1,505
	Goodyear Tire & Rubber Co.	4.875%	3/15/27	3,278	2,991
	Group 1 Automotive Inc.	5.000%	6/1/22	1,285	1,277
3	GW Honos Security Corp.	8.750%	5/15/25	1,385	1,420
3	Hanesbrands Inc.	4.625%	5/15/24	730	714
3	Hanesbrands Inc.	4.875%	5/15/26	735	713
	Hilton Domestic Operating Co. Inc.	4.250%	9/1/24	1,770	1,682
3	Hilton Domestic Operating Co. Inc.	5.125%	5/1/26	2,570	2,519
	Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.625%	4/1/25	3,025	2,942
	Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp.	4.875%	4/1/27	1,870	1,798
	KB Home	4.750%	5/15/19	830	833
	KB Home	7.000%	12/15/21	230	242
	KB Home	7.500%	9/15/22	215	229
	KB Home	7.625%	5/15/23	1,300	1,385
3	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.000%	6/1/24	815	805
3	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	5.250%	6/1/26	872	859
3	KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC	4.750%	6/1/27	935	884
3	L Brands Inc.	6.694%	1/15/27	1,287	1,232
	L Brands Inc.	5.250%	2/1/28	1,301	1,151
	Lennar Corp.	4.125%	1/15/22	1,015	1,005

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Lennar Corp.	4.875%	12/15/23	625	620
	Lennar Corp.	4.500%	4/30/24	2,825	2,719
	Lennar Corp.	5.875%	11/15/24	140	145
	Lennar Corp.	5.250%	6/1/26	270	263
	Lennar Corp.	5.000%	6/15/27	1,245	1,189
3	LHMC Finco Sarl	7.875%	12/20/23	1,720	1,686
	Meritage Homes Corp.	5.125%	6/6/27	505	470
	Neiman Marcus Group Inc.	7.125%	6/1/28	1,820	1,483
	Penske Automotive Group Inc.	5.375%	12/1/24	1,113	1,096
3	PetSmart Inc.	5.875%	6/1/25	325	250
	PulteGroup Inc.	5.000%	1/15/27	130	124
	Service Corp. International	8.000%	11/15/21	1,225	1,367
	Service Corp. International	5.375%	1/15/22	905	913
	Service Corp. International	4.625%	12/15/27	205	193
3	Shea Homes LP / Shea Homes Funding Corp.	5.875%	4/1/23	450	449
3	Shea Homes LP / Shea Homes Funding Corp.	6.125%	4/1/25	450	447
	Toll Brothers Finance Corp.	4.875%	11/15/25	295	284
	Toll Brothers Finance Corp.	4.875%	3/15/27	1,955	1,840
	William Lyon Homes Inc.	7.000%	8/15/22	450	458
	William Lyon Homes Inc.	5.875%	1/31/25	1,415	1,330
	Consumer Noncyclical (12.4%)				
	Aramark Services Inc.	5.125%	1/15/24	975	975
3	Aramark Services Inc.	5.000%	4/1/25	1,400	1,393
	Aramark Services Inc.	4.750%	6/1/26	580	560
3	Aramark Services Inc.	5.000%	2/1/28	1,465	1,399
3	Catalent Pharma Solutions Inc.	4.875%	1/15/26	435	418
3	Change Healthcare Holdings LLC / Change Healthcare Finance Inc.	5.750%	3/1/25	2,000	1,880
3	Charles River Laboratories International Inc.	5.500%	4/1/26	310	310
	CHS/Community Health Systems Inc.	5.125%	8/1/21	525	487
	CHS/Community Health Systems Inc.	6.875%	2/1/22	3,964	2,032
	CHS/Community Health Systems Inc.	6.250%	3/31/23	3,450	3,161
3	CHS/Community Health Systems Inc.	8.125%	6/30/24	1,503	1,240
3	Coty Inc.	6.500%	4/15/26	740	709
3,6	Darling Global Finance BV	3.625%	5/15/26	395	462
3,6	Diamond BC BV	5.625%	8/15/25	3,020	3,158
2,3	Endo Dac / Endo Finance LLC / Endo Finco Inc.	6.000%	2/1/25	2,845	2,219
3	Endo Finance LLC / Endo Ltd. / Endo Finco Inc.	6.000%	7/15/23	2,985	2,455
3,6	Energizer Gamma Acquisition BV	4.625%	7/15/26	1,450	1,708
3	Energizer Gamma Acquisition Inc.	6.375%	7/15/26	1,280	1,301
3	Envision Healthcare Corp.	5.125%	7/1/22	1,341	1,351
	Envision Healthcare Corp.	5.625%	7/15/22	1,561	1,588
	HCA Inc.	6.250%	2/15/21	870	903
	HCA Inc.	5.875%	3/15/22	1,850	1,929
	HCA Inc.	4.750%	5/1/23	2,100	2,095
	HCA Inc.	5.375%	2/1/25	1,368	1,347
	HCA Inc.	5.250%	4/15/25	1,500	1,507
	HCA Inc.	7.690%	6/15/25	130	143
	HCA Inc.	5.875%	2/15/26	1,900	1,917
	HCA Inc.	5.250%	6/15/26	975	970
3	Hologic Inc.	4.625%	2/1/28	570	537
3	inVentiv Group Holdings Inc/inVentiv Health Inc/inVentiv Health Clinical Inc.	7.500%	10/1/24	477	503
3	Kinetic Concepts Inc / KCI USA Inc.	7.875%	2/15/21	1,570	1,597
3	Lamb Weston Holdings Inc.	4.625%	11/1/24	1,040	1,011
3	Lamb Weston Holdings Inc.	4.875%	11/1/26	1,040	1,019
2,4	Lands' End, Inc. Bank Loan	5.344%	3/12/21	2,888	2,771
3	MEDNAX Inc.	5.250%	12/1/23	580	568
3	MPH Acquisition Holdings LLC	7.125%	6/1/24	1,590	1,630
3	Polaris Intermediate Corp.	8.500%	12/1/22	2,565	2,645
3	Post Holdings Inc.	5.500%	3/1/25	795	778
3	Post Holdings Inc.	5.000%	8/15/26	4,100	3,818
3	Post Holdings Inc.	5.750%	3/1/27	970	941
3	Post Holdings Inc.	5.625%	1/15/28	2,720	2,550

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
[3]	Quintiles IMS Inc.	5.000%	10/15/26	1,330	1,295
[3]	Quintiles Transnational Holdings Inc.	4.875%	5/15/23	750	756
	Revlon Consumer Products Corp.	5.750%	2/15/21	570	425
	Revlon Consumer Products Corp.	6.250%	8/1/24	2,130	1,172
[2,4]	Revlon Consumer Products Corp. Bank Loan	5.594%	9/7/23	176	136
[2,4]	Revlon Consumer Products Corp. Bank Loan	5.594%	9/7/23	597	462
[2,4]	Revlon Consumer Products Corp. Bank Loan	5.594%	9/7/23	4	3
[3]	Sterigenics-Nordion Holdings LLC	6.500%	5/15/23	1,915	1,956
[3]	Sterigenics-Nordion Topco LLC	8.125%	11/1/21	725	736
	Tenet Healthcare Corp.	4.750%	6/1/20	835	840
	Tenet Healthcare Corp.	4.500%	4/1/21	932	923
	Tenet Healthcare Corp.	4.375%	10/1/21	3,520	3,458
[3]	Tenet Healthcare Corp.	4.625%	7/15/24	279	265
	Teva Pharmaceutical Finance IV LLC	2.250%	3/18/20	2,065	1,991
[3]	TreeHouse Foods Inc.	6.000%	2/15/24	1,800	1,840
[3]	Valeant Pharmaceuticals International Inc.	6.500%	3/15/22	620	642
[3]	Valeant Pharmaceuticals International Inc.	7.000%	3/15/24	1,390	1,456
[3]	Valeant Pharmaceuticals International Inc.	5.500%	11/1/25	945	931
[3]	Valeant Pharmaceuticals International Inc.	9.000%	12/15/25	815	847
[3]	Valeant Pharmaceuticals International Inc.	9.250%	4/1/26	520	541
[3]	Valeant Pharmaceuticals International Inc.	8.500%	1/31/27	510	516
[3]	VRX Escrow Corp.	6.125%	4/15/25	4,950	4,542
[3]	West Street Merger Sub Inc.	6.375%	9/1/25	4,050	3,888
	Energy (13.5%)				
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.625%	5/20/24	1,395	1,369
	AmeriGas Finance LLC / AmeriGas Finance Corp.	5.875%	8/20/26	1,395	1,355
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.500%	5/20/25	620	601
	AmeriGas Partners LP / AmeriGas Finance Corp.	5.750%	5/20/27	1,745	1,647
	Andeavor Logistics LP / Tesoro Logistics Finance Corp.	6.375%	5/1/24	1,280	1,365
	Andeavor Logistics LP / Tesoro Logistics Finance Corp.	5.250%	1/15/25	1,510	1,546
	Antero Resources Corp.	5.125%	12/1/22	1,445	1,449
	Cheniere Corpus Christi Holdings LLC	5.125%	6/30/27	1,233	1,222
	Chesapeake Energy Corp.	8.000%	6/15/27	3,125	3,180
	Continental Resources Inc.	5.000%	9/15/22	3,354	3,404
	Continental Resources Inc.	4.500%	4/15/23	2,280	2,317
[3]	DCP Midstream LLC	9.750%	3/15/19	450	469
[3]	DCP Midstream LLC	5.350%	3/15/20	335	342
	DCP Midstream Operating LP	2.700%	4/1/19	600	594
[3]	DCP Midstream Operating LP	4.750%	9/30/21	597	603
	DCP Midstream Operating LP	4.950%	4/1/22	1,436	1,452
	DCP Midstream Operating LP	3.875%	3/15/23	801	774
	DCP Midstream Operating LP	5.600%	4/1/44	875	826
	Diamondback Energy Inc.	4.750%	11/1/24	175	170
	Diamondback Energy Inc.	5.375%	5/31/25	1,430	1,423
	Energy Transfer Equity LP	7.500%	10/15/20	2,460	2,623
	Energy Transfer Equity LP	4.250%	3/15/23	2,430	2,339
	Energy Transfer Equity LP	5.875%	1/15/24	1,656	1,697
	Energy Transfer Equity LP	5.500%	6/1/27	3,592	3,592
	Ferrellgas LP / Ferrellgas Finance Corp.	6.500%	5/1/21	2,560	2,342
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	1/15/22	474	427
	Ferrellgas LP / Ferrellgas Finance Corp.	6.750%	6/15/23	769	669
	Laredo Petroleum Inc.	5.625%	1/15/22	2,107	2,075
	Laredo Petroleum Inc.	6.250%	3/15/23	2,158	2,147
	Matador Resources Co.	6.875%	4/15/23	3,090	3,233
[3]	MEG Energy Corp.	6.375%	1/30/23	850	791
[3]	MEG Energy Corp.	7.000%	3/31/24	1,439	1,338
[3]	MEG Energy Corp.	6.500%	1/15/25	2,850	2,843
	Newfield Exploration Co.	5.625%	7/1/24	600	632
[3]	NGPL PipeCo LLC	4.375%	8/15/22	400	396
[3]	NGPL PipeCo LLC	4.875%	8/15/27	475	469
[3]	Noble Holding International Ltd.	7.875%	2/1/26	460	474
[3]	Parsley Energy LLC / Parsley Finance Corp.	5.375%	1/15/25	1,344	1,334
[3]	Parsley Energy LLC / Parsley Finance Corp.	5.250%	8/15/25	190	187
	QEP Resources Inc.	6.800%	3/1/20	220	225
	QEP Resources Inc.	6.875%	3/1/21	913	973
	QEP Resources Inc.	5.375%	10/1/22	1,270	1,295
	QEP Resources Inc.	5.250%	5/1/23	1,262	1,240
[3]	Rockies Express Pipeline LLC	7.500%	7/15/38	1,134	1,338
[3]	Rockies Express Pipeline LLC	6.875%	4/15/40	420	480
	RSP Permian Inc.	5.250%	1/15/25	900	959
	Sabine Pass Liquefaction LLC	5.875%	6/30/26	1,255	1,341
	SESI LLC	7.125%	12/15/21	990	1,007
	SESI LLC	7.750%	9/15/24	1,045	1,074
	SM Energy Co.	6.500%	11/15/21	100	102
	SM Energy Co.	6.125%	11/15/22	935	956
	SM Energy Co.	6.500%	1/1/23	75	76
	SM Energy Co.	5.000%	1/15/24	1,994	1,874
	SM Energy Co.	5.625%	6/1/25	1,651	1,593
	SM Energy Co.	6.750%	9/15/26	720	722
[3]	Southern Star Central Corp.	5.125%	7/15/22	480	480
	Southwestern Energy Co.	6.700%	1/23/25	2,693	2,632
	Southwestern Energy Co.	7.750%	10/1/27	591	613
[3]	Sunoco LP / Sunoco Finance Corp.	5.500%	2/15/26	780	739
[3]	Sunoco LP / Sunoco Finance Corp.	5.875%	3/15/28	490	462
[3]	Tallgrass Energy Partners LP / Tallgrass Energy Finance Corp.	5.500%	1/15/28	1,845	1,813
[1,3]	Transocean Guardian Ltd.	5.875%	1/15/24	1,015	1,011
[1,3]	Transocean Phoenix 2 Ltd.	7.750%	10/15/24	200	214
[1,3]	Transocean Proteus Ltd.	6.250%	12/1/24	735	740
[3]	Vine Oil & Gas LP / Vine Oil & Gas Finance Corp.	8.750%	4/15/23	1,915	1,767
	Weatherford International Ltd.	7.000%	3/15/38	517	408
	Weatherford International Ltd.	6.750%	9/15/40	1,918	1,510
	Weatherford International Ltd.	5.950%	4/15/42	1,970	1,460
[3]	Whiting Petroleum Corp.	6.625%	1/15/26	180	185
	Whiting Petroleum Corp.	6.625%	1/15/26	3,101	3,186
	Williams Cos. Inc.	7.875%	9/1/21	450	500
	Williams Cos. Inc.	3.700%	1/15/23	1,550	1,496
	Williams Cos. Inc.	4.550%	6/24/24	1,554	1,554
	Williams Cos. Inc.	5.750%	6/24/44	1,200	1,238
	WPX Energy Inc.	6.000%	1/15/22	732	759
	WPX Energy Inc.	5.250%	9/15/24	3,734	3,678
	Other Industrial (0.7%)				
[3]	Brand Energy & Infrastructure Services Inc.	8.500%	7/15/25	3,222	3,262
[2,4]	HD Supply Waterworks LTD. Bank Loan	5.211%	8/1/24	143	143
[2,4]	HD Supply Waterworks LTD. Bank Loan	5.300%	8/1/24	126	126
[3]	KAR Auction Services Inc.	5.125%	6/1/25	1,295	1,237
	Technology (8.3%)				
	Alcatel-Lucent USA Inc.	6.500%	1/15/28	1,355	1,402
	Alcatel-Lucent USA Inc.	6.450%	3/15/29	2,602	2,680
[3]	Camelot Finance SA	7.875%	10/15/24	1,882	1,903
	CDK Global Inc.	5.875%	6/15/26	615	628
	CDK Global Inc.	4.875%	6/1/27	585	562
	CDW LLC / CDW Finance Corp.	5.000%	9/1/23	985	990
	CDW LLC / CDW Finance Corp.	5.500%	12/1/24	485	496
	CDW LLC / CDW Finance Corp.	5.000%	9/1/25	760	749
	Equinix Inc.	5.375%	4/1/23	680	694

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Equinix Inc.	5.875%	1/15/26	370	374
6	Equinix Inc.	2.875%	2/1/26	3,115	3,425
	Equinix Inc.	5.375%	5/15/27	1,350	1,347
3	First Data Corp.	5.375%	8/15/23	2,265	2,285
3	First Data Corp.	7.000%	12/1/23	5,235	5,451
3	First Data Corp.	5.000%	1/15/24	1,500	1,487
3	First Data Corp.	5.750%	1/15/24	4,651	4,663
2,4	First Data Corp. Bank Loan	4.091%	7/8/22	566	563
	Infor US Inc.	6.500%	5/15/22	3,060	3,072
	Iron Mountain Inc.	5.750%	8/15/24	1,032	1,017
3	Iron Mountain Inc.	4.875%	9/15/27	1,245	1,147
2,4	Microchip Technology Inc. Bank Loan	4.100%	5/24/25	1,115	1,115
3	MSCI Inc.	5.250%	11/15/24	395	399
3	MSCI Inc.	5.750%	8/15/25	1,560	1,607
3	MSCI Inc.	4.750%	8/1/26	510	495
	NCR Corp.	4.625%	2/15/21	1,555	1,543
	NCR Corp.	5.000%	7/15/22	600	594
	NCR Corp.	6.375%	12/15/23	455	469
	Nokia Oyj	6.625%	5/15/39	3,550	3,723
3	Open Text Corp.	5.625%	1/15/23	1,070	1,099
3	Open Text Corp.	5.875%	6/1/26	1,345	1,375
	Pitney Bowes Inc.	4.700%	4/1/23	2,060	1,846
3	Sensata Technologies BV	5.625%	11/1/24	575	598
3	Sensata Technologies BV	5.000%	10/1/25	1,625	1,637
3	Sensata Technologies UK Financing Co. plc	6.250%	2/15/26	1,520	1,581
2,4	SS&C Technologies Holdings Inc. Bank Loan	4.593%	4/16/25	651	651
2,4	SS&C Technologies Holdings Inc. Bank Loan	4.593%	4/16/25	1,721	1,721
3	Symantec Corp.	5.000%	4/15/25	2,065	1,995
3,7	Vantiv LLC / Vanity Issuer Corp.	3.875%	11/15/25	1,355	1,691
3	Vantiv LLC / Vanity Issuer Corp.	4.375%	11/15/25	1,275	1,213
	Transportation (0.7%)				
3	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.125%	6/1/22	1,876	1,838
	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.500%	4/1/23	2,328	2,258
3	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	6.375%	4/1/24	715	699
3	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	5.250%	3/15/25	630	575
					587,716
	Utilities (1.5%)				
	Electric (1.5%)				
	AES Corp.	4.500%	3/15/23	1,385	1,371
	AES Corp.	4.875%	5/15/23	600	600
	AES Corp.	5.500%	4/15/25	150	151
	AES Corp.	6.000%	5/15/26	30	31
	AES Corp.	5.125%	9/1/27	2,115	2,110
3	NextEra Energy Operating Partners LP	4.250%	9/15/24	645	621
3	NextEra Energy Operating Partners LP	4.500%	9/15/27	700	654
	NRG Energy Inc.	6.250%	7/15/22	1,544	1,588
	NRG Energy Inc.	6.250%	5/1/24	2,456	2,527
	NRG Energy Inc.	7.250%	5/15/26	1,425	1,518
					11,171
	Total Corporate Bonds (Cost $691,027)				675,728

		Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
	Sovereign Bonds (0.2%)				
3	DAE Funding LLC	4.500%	8/1/22	825	795
3	DAE Funding LLC	5.000%	8/1/24	850	814
	Total Sovereign Bonds (Cost $1,675)				1,609

		Shares	Market Value• ($000)
	Common Stocks (0.2%)		
	Utilities (0.2%)		
*,8	Homer City Generation LP **(Cost $1,287)**	62,633	**1,287**

	Coupon	Maturity Date	Face Amount ($000)	Market Value• ($000)
Temporary Cash Investment (6.7%)				
Repurchase Agreement (6.7%)				
Bank of America Securities, LLC (Dated 6/29/18, Repurchase Value $48,408,000, collateralized by Federal Home Loan Mortgage Corp., 4.500%, 5/1/48, and Federal National Mortgage Assn., 4.000%, 12/1/47, with a value of $49,368,000) **(Cost $48,400)**	2.090%	7/2/18	48,400	**48,400**
Total Investments (100.4%) (Cost $742,389)				727,024

	Amount ($000)
Other Assets and Liabilities (-0.4%)	
Other Assets	
Investment in Vanguard	39
Receivables for Investment Securities Sold	69
Receivables for Accrued Income	10,259
Receivables for Capital Shares Issued	279
Variation Margin Receivable—CC Swap Contracts	33
Unrealized Appreciation—Forward Currency Contracts	13
Other Assets[9]	1,310
Total Other Assets	**12,002**
Liabilities	
Payables for Investment Securities Purchased	(13,653)
Payables to Investment Advisor	(109)
Payables for Capital Shares Redeemed	(612)
Payables to Vanguard	(679)
Unrealized Depreciation—Forward Currency Contracts	(44)
Total Liabilities	**(15,097)**
Net Assets (100%)	
Applicable to 94,551,547 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**723,929**
Net Asset Value Per Share	**$7.66**

At June 30, 2018, net assets consisted of:

	Amount ($000)
Paid-in Capital	726,932
Undistributed Net Investment Income	19,872
Accumulated Net Realized Losses	(7,421)
Unrealized Appreciation (Depreciation)	
Investment Securities	(15,365)
Swap Contracts	(44)
Forward Currency Contracts	(31)
Foreign Currencies	(14)
Net Assets	723,929

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

1 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

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

3 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2018, the aggregate value of these securities was $279,933,000, representing 38.7% of net assets.

4 Security is a senior, secured, high-yield floating-rate loan. These loans are debt obligations issued by public and private companies and are comparable to high-yield bonds from a ratings and leverage perspective. At June 30, 2018, the aggregate value of these securities was $19,265,000, representing 2.7% of net assets.

5 Security purchased on a when-issued or delayed-delivery basis for which the fund has not taken delivery as of June 30, 2018.

6 Face amount denominated in euro.

7 Face amount denominated in British pounds.

8 Security value determined using significant unobservable inputs.

9 Cash of $1,065,000 has been segregated as initial margin for open cleared swap contracts.

CC—Centrally Cleared.

Derivative Financial Instruments Outstanding as of Period End

Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) ($000)
		Receive		Deliver		
UBS AG	7/31/18	USD	11,093	EUR	9,511	(39)
J.P. Morgan Securities LLC	7/31/18	USD	1,967	GBP	1,479	13
BNP Paribas	7/31/18	USD	1,348	EUR	1,155	(4)
Credit Suisse International	7/31/18	USD	772	EUR	660	—
UBS AG	7/31/18	USD	292	EUR	249	—
Barclays Bank plc	7/31/18	USD	237	EUR	203	(1)
BNP Paribas	7/31/18	USD	120	EUR	102	—
						(31)

EUR—euro.
GBP—British pound.
USD—U.S. dollar.

Unrealized appreciation (depreciation) on open forward currency contracts is treated as ordinary income for tax purposes.

Centrally Cleared Credit Default Swaps

Reference Entity	Termination Date	Notional Amount (000)		Periodic Premium Received (Paid)[1] (%)	Value ($000)	Unrealized Appreciation (Depreciation) ($000)
Credit Protection Sold						
CDX-NA-HY-S30-V1	6/20/23	USD	21,000	5.000	1,256	(44)

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

1 Periodic premium received/paid quarterly.
USD—U.S. dollar.

Unrealized appreciation (depreciation) on open swap contracts is generally treated the same for financial reporting and tax purposes.

Statement of Operations

	Six Months Ended June 30, 2018
	($000)
Investment Income	
Income	
Interest	20,524
Total Income	20,524
Expenses	
Investment Advisory Fees—Note B	222
The Vanguard Group—Note C	
Management and Administrative	695
Marketing and Distribution	65
Custodian Fees	10
Shareholders' Reports	4
Trustees' Fees and Expenses	1
Total Expenses	997
Net Investment Income	**19,527**
Realized Net Gain (Loss)	
Investment Securities Sold	2,800
Swap Contracts	304
Forward Currency Contracts	496
Foreign Currencies	5
Realized Net Gain (Loss)	**3,605**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	(31,299)
Swap Contracts	(153)
Forward Currency Contracts	66
Foreign Currencies	(15)
Change in Unrealized Appreciation (Depreciation)	**(31,401)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**(8,269)**

Statement of Changes in Net Assets

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	($000)	($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	19,527	35,653
Realized Net Gain (Loss)	3,605	1,606
Change in Unrealized Appreciation (Depreciation)	(31,401)	7,428
Net Increase (Decrease) in Net Assets Resulting from Operations	(8,269)	44,687
Distributions		
Net Investment Income	(35,316)	(31,351)
Realized Capital Gain	—	—
Total Distributions	(35,316)	(31,351)
Capital Share Transactions		
Issued	62,454	177,943
Issued in Lieu of Cash Distributions	35,316	31,351
Redeemed	(82,509)	(92,546)
Net Increase (Decrease) from Capital Share Transactions	15,261	116,748
Total Increase (Decrease)	(28,324)	130,084
Net Assets		
Beginning of Period	**752,253**	**622,169**
End of Period[1]	**723,929**	**752,253**

1 Net Assets—End of Period includes undistributed (overdistributed) net investment income of $19,872,000 and $34,631,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2018	Year Ended December 31, 2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	**$8.13**	**$7.99**	**$7.59**	**$8.14**	**$8.24**	**$8.33**
Investment Operations						
Net Investment Income	.207[1]	.419[1]	.397	.427	.416	.458
Net Realized and Unrealized Gain (Loss) on Investments	(.293)	.119	.426	(.541)	(.061)	(.108)
Total from Investment Operations	(.086)	.538	.823	(.114)	.355	.350
Distributions						
Dividends from Net Investment Income	(.384)	(.398)	(.423)	(.423)	(.455)	(.440)
Distributions from Realized Capital Gains	—	—	—	(.013)	—	—
Total Distributions	(.384)	(.398)	(.423)	(.436)	(.455)	(.440)
Net Asset Value, End of Period	**$7.66**	**$8.13**	**$7.99**	**$7.59**	**$8.14**	**$8.24**
Total Return	**-1.05%**	**7.00%**	**11.35%**	**-1.58%**	**4.40%**	**4.35%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$724	$752	$622	$521	$534	$509
Ratio of Total Expenses to Average Net Assets	0.27%	0.28%	0.28%	0.28%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	5.33%	5.22%	5.44%	5.41%	5.24%	5.51%
Portfolio Turnover Rate	27%	28%	27%	38%	35%	37%

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

1 Calculated based on average shares outstanding.

Notes to Financial Statements

High Yield Bond Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts. Certain of the portfolio's investments are in corporate debt instruments; the issuers' abilities to meet their obligations may be affected by economic developments in their respective industries.

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

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

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

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

Forward currency contracts are valued at their quoted daily prices obtained from an independent third party, adjusted for currency risk based on the expiration date of each contract. The notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized forward currency contract gains (losses).

During the six months ended June 30, 2018, the portfolio's average investment in forward currency contracts represented 2% of net assets, based on the average of notional amounts at each quarter-end during the period.

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

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

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

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

During the six months ended June 30, 2018, the portfolio's average amounts of investments in credit protection sold and credit protection purchased represented 3% and 0% of net assets, respectively, based on the average of notional amounts at each quarter-end during the period.

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

6. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 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.

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

8. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the portfolio's board of trustees and included in Management and Administrative expenses on the portfolio's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at June 30, 2018, or at any time during the period then ended.

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

B. Wellington Management Company LLP provides investment advisory services to the portfolio for a fee calculated at an annual percentage rate of average net assets. For the six months ended June 30, 2018, the investment advisory fee represented an effective annual rate of 0.06% of the portfolio's average net assets.

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

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At June 30, 2018, the portfolio had contributed to Vanguard capital in the amount of $39,000, representing 0.01% of the portfolio's net assets and 0.02% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

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

Level 1—Quoted prices in active markets for identical securities.
Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
Level 3—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

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

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Corporate Bonds	—	675,728	—
Sovereign Bonds	—	1,609	—
Common Stocks	—	—	1,287
Temporary Cash Investments	—	48,400	—
Forward Currency Contracts—Assets	—	13	—
Forward Currency Contracts—Liabilities	—	(44)	—
Swap Contracts—Assets[1]	33	—	—
Total	33	725,706	1,287

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

E. At June 30, 2018, the fair values of derivatives were reflected in the Statement of Net Assets as follows:

Statement of Net Assets Caption	Foreign Exchange Contracts ($000)	Credit Contracts ($000)	Total ($000)
Variation Margin Receivable—Swap Contracts	—	33	33
Unrealized Appreciation—Forward Currency Contracts	13	—	13
Total Assets	13	33	46
Unrealized Depreciation—Forward Currency Contracts	(44)	—	(44)

Realized net gain (loss) and the change in unrealized appreciation (depreciation) on derivatives for the six months ended June 30, 2018, were:

Realized Net Gain (Loss) on Derivatives	Foreign Exchange Contracts ($000)	Credit Contracts ($000)	Total ($000)
Forward Currency Contracts	496	—	496
Swap Contracts	—	304	304
Realized Net Gain (Loss) on Derivatives	496	304	800
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Forward Currency Contracts	66	—	66
Swap Contracts	—	(153)	(153)
Change in Unrealized Appreciation (Depreciation) on Derivatives	66	(153)	(87)

F. 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.

During the six months ended June 30, 2018, the portfolio realized net foreign currency gains of $534,000 (including gains and losses on forward currency contracts and the foreign currency component on sales of foreign currency denominated bonds), which increased distributable net income for tax purposes; accordingly, such gains have been reclassified from accumulated net realized losses to undistributed net investment income.

Realized and unrealized gains (losses) on certain of the portfolio's swap contracts are treated as ordinary income (loss) for tax purposes; the effect on the portfolio's income dividends to shareholders is offset by a change in principal return. Realized gains of $496,000 on swap contracts have been reclassified from accumulated net realized losses to undistributed net investment income.

The portfolio's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at December 31, 2017, the portfolio had available capital losses totaling $9,794,000 that may be carried forward indefinitely to offset future net capital gains. The portfolio will use these capital losses to offset net taxable capital gains, if any, realized during the year ending December 31, 2018; should the portfolio realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At June 30, 2018, the cost of investment securities for tax purposes was $742,389,000. Net unrealized depreciation of investment securities for tax purposes was $15,365,000, consisting of unrealized gains of $7,513,000 on securities that had risen in value since their purchase and $22,878,000 in unrealized losses on securities that had fallen in value since their purchase.

G. During the six months ended June 30, 2018, the portfolio purchased $102,516,000 of investment securities and sold $87,949,000 of investment securities, other than U.S. government securities and temporary cash investments.

H. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2018	Year Ended December 31, 2017
	Shares (000)	Shares (000)
Issued	7,836	22,124
Issued in Lieu of Cash Distributions	4,616	4,066
Redeemed	(10,447)	(11,491)
Net Increase (Decrease) in Shares Outstanding	2,005	14,699

At June 30, 2018, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 47% of the portfolio's net assets. If the shareholder were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

I. Management has determined that no events or transactions occurred subsequent to 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 table below illustrates your portfolio's costs in two ways:

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

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

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

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

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

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

Six Months Ended June 30, 2018

High Yield Bond Portfolio	Beginning Account Value 12/31/2017	Ending Account Value 6/30/2018	Expenses Paid During Period[1]
Based on Actual Portfolio Return	$1,000.00	$989.48	$1.33
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.46	1.35

1 The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.27%. 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 High Yield Bond Portfolio has renewed the portfolio's investment advisory arrangement with Wellington Management Company LLP (Wellington Management). The board determined that renewing the portfolio's advisory arrangement 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 Wellington Management, founded in 1928, is among the nation's oldest and most respected institutional investment managers. The portfolio manager is supported by a dedicated team of high-yield and bank loan analysts who conduct in-depth credit research on the universe of high-yield issuers, seeking to identify issuers with stable or improving business prospects and attractive yields. Wellington Management focuses on higher-quality bonds, as it believes that these issues offer a more attractive risk/return trade-off over the long term than lower-rated bonds within the high-yield universe. The advisor seeks to maintain credit quality and diversification guidelines in order to minimize the risk of potential defaults. Wellington Management has advised the portfolio since its inception in 1996.

The board concluded that the advisor'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 a relevant benchmark 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 fee rate was 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, which also includes information about the portfolio's advisory fee rate.

The board did not consider the profitability of Wellington Management in determining whether to approve the advisory fee, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the portfolio realizes economies of scale that are built into the negotiated advisory fee rate without any need for asset-level breakpoints. The advisory fee rate is very low relative to the average rate paid by funds in the portfolio's peer group.

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.

Interested Trustees[1]

F. William McNabb III

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

Mortimer J. Buckley

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

Independent Trustees

Emerson U. Fullwood

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

Amy Gutmann

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

JoAnn Heffernan Heisen

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

F. Joseph Loughrey

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

Mark Loughridge

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

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 1952. Trustee since December 2004. Principal occupation(s) during the past five years and other experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Chief investment officer and co-managing partner of HighVista Strategies LLC (private investment firm). Overseer of the Museum of Fine Arts Boston.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director of i(x) Investments, LLC.

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

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

Executive Officers

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

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

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

Thomas J. Higgins
Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

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

Anne E. Robinson
Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

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

Vanguard Senior Management Team

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

Chairman Emeritus and Senior Advisor

John J. Brennan
Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle
Chairman and Chief Executive Officer, 1974–1996

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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 or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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