



Annual Report | December 31, 2018

Vanguard Variable Insurance Fund

International Portfolio

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

Important information about access to shareholder reports

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

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to vanguard.com.

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to vanguard.com. Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

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CEO's Perspective



Tim Buckley
Chairman and Chief Executive Officer

Dear Planholder,

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

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

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

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

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

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

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

Thank you for your continued loyalty.

Sincerely,

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

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

Market Perspective

Stocks slide and volatility climbs

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

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

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

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

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

Mixed results for bonds

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

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

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

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

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

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

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

Market Barometer

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

International Portfolio

Advisors' Report

The International Portfolio returned -12.61% for the 12 months ended December 31, 2018, and its benchmark, the MSCI All Country World Index ex USA, returned -14.20%. Please note that the returns for Vanguard Variable Insurance Fund are different from those of Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

The portfolio is overseen by two independent advisors, a strategy that enhances its diversification by providing exposure to distinct yet complementary investment approaches. It is not uncommon for different advisors to have different views about individual securities or the broader investment environment.

The advisors, the amount and percentage of the portfolio's assets each manages, and brief descriptions of their investment strategies are presented in the accompanying table. Each advisor has also prepared a discussion of the investment environment that existed during the period and of the effect it had on the portfolio's positioning. These reports were prepared on January 14, 2019.

Baillie Gifford Overseas Ltd.

Portfolio Managers:

James K. Anderson, Partner
Head of Global Equities

Thomas Coutts, Partner

In times of market volatility, our greatest challenge is to dare to imagine the future. We try to understand how large and how great a merely promising company can become. This endeavor is often at odds with large swaths of our industry. But this is where our skill set lies. We don't debate, ruminate, or panic about loss aversion. Instead, we imagine what success looks like. We research companies that are capable of exploiting exponential and

enduring trends. When we find such a business, we support it where appropriate and, most importantly, we are patient.

Patience has been important for much of the portfolio but nowhere more visibly than for the world's largest online grocery retailer, Ocado. Held in the portfolio since 2014, Ocado had suffered several disappointments while working to master and distribute its technology. The share price doubled during 2018 as the company announced partnerships with an array of large supermarket chains—most significantly with Kroger, a leading U.S. supermarket chain. With an end-to-end solution for grocery retail, Ocado seems well-placed to take advantage of structural and transformative trends in its \$300 billion market.

We believe that ten years from now, risk (the permanent loss of capital) will be associated with companies once thought of as safe—hence our focus on the transformative companies of today. Within the portfolio, we hold a few U.S. companies that we believe are globally unsurpassed and have no parallels in international markets.

Two good examples during 2018 were Illumina and Tesla. Illumina, the global leader in DNA sequencing, produces machines that make it possible to affordably and rapidly identify the human genetic code. Demand for its sequencing consumables, lab equipment, and other services grew more than 20% each during the year. The enormous potential for new treatments and cures is enhanced by a less competitive environment and greater acceptance of gene sequencing. For Tesla, despite media negativity, incredible progress is being made and electric vehicles are taking significant market share. In 2018, Tesla sold nearly as many vehicles (more than 245,000) as it did in all prior years combined since its founding in 2003; in revenue terms, the Model 3 was the best-selling car in the United States.

German online retailer Zalando was the most significant detractor after third-quarter results disappointed the market. Its revenue growth, only 12%, was lower than 2017's, but orders increased by 22%. We believe that, over the longer term, Zalando can benefit from numerous growth opportunities, notably expansion in the U.S. and diversification into the beauty and homeware segments. Although we expect short-term bumps in the road, we don't foresee any fundamental change in the growth of online fashion or the ability of Zalando's management to execute.

Our long-term approach to investing and low turnover set the bar high for getting new stocks into the portfolio. New positions during the period included Danish health care company Ambu and British luxury car maker Aston Martin. China remains key to our search for the best growth companies; we added Chinese holdings Ping An Insurance (financial services) and NIO (electric vehicle maker). To fund better growth opportunities, we sold Exor, Rakuten, Jerónimo Martins, New Oriental, Puma, Richemont, Standard Chartered, and Flipkart.

Finally, three of our unlisted holdings graduated to the listed market—Home24 (online furniture), Meituan Dianping (online services), and Spotify (music streaming). Because only a small percentage of the world's consumers have a streaming account, we believe that the opportunity for Spotify is substantial.

Schroder Investment Management North America Inc.

Portfolio Manager:

Simon Webber, CFA

International equities ended 2018 markedly lower, as geopolitical concerns combined with signs—particularly in the second half—of slowing global economic momentum. Equity markets are understandably

concerned about U.S.-China relations, as a prolonged geopolitical dispute between the world’s two largest economies has implications for cooperation on a wide range of important long-term issues. Globalization and international trade have been very good for the corporate sector, and boardroom confidence has been shaken by the current uncertainty.

Stock selection supported the portfolio’s relative performance through the year, with particularly strong contributions from positions in the information technology and consumer sectors. These sectors still have substantial potential for growth and we have kept large exposure to both.

Japanese cosmetics company Shiseido performed particularly well. Shiseido has long had good products and brands, but its profitability was weak because of inefficient marketing and administration. However, the company culture and profitability have been transformed under CEO Masahiko Uotani, who has brought in international best practices. After three strong years for sales and profit growth, market expectations have adjusted to more accurately reflect stronger fundamentals, and we have sold our holding.

Tire and auto parts supplier Continental AG performed poorly as slowing car sales and elevated inventories in the auto industry have pressured companies across the sector. Continental has invested in a range of autonomous driving and vehicle electrification technologies that we believe will support long-term growth well above most peers. However, it cannot escape the nearer-term industry challenges, and we have reduced our exposure to the company’s shares to reflect the difficult profitability environment and higher risk profile.

It is increasingly clear that markets are entering a new phase. The contraction of Federal Reserve and European Central Bank balance sheets has tightened global liquidity and credit spreads have widened, raising the cost of debt for companies.

Higher borrowing costs are not the only risk to profitability. Labor costs are rising, and more protectionist trade policies create less efficient supply chains. It is also unusually difficult for companies to plan in an environment of ongoing political tensions, which further pressure margins. As a result, the outcome of the latest U.S.-China trade talks and the longer-term

health of that relationship is likely to be one of the main swing factors for international equity markets this year.

The significant derating of international equities in 2018 (the MSCI All Country World Index ex USA declined from 14.5 times forward-earnings estimates to 11.5 times) means that valuations now reflect a much higher level of caution. International stocks, in aggregate, are trading below long-term averages, a significant positive.

Identifying the companies best prepared to weather—or indeed prosper from—the new phase of the business and economic cycle will require an active approach and a thorough understanding of company fundamentals. We are generally cautious toward companies with high debt levels or those that cannot raise prices to offset higher costs. We retain our quality bias, aiming to take a large active share in firms that we believe have good growth prospects and healthy balance sheets to fund that growth.

International Portfolio Investment Advisors

Investment Advisor	Portfolio Assets Managed		Investment Strategy
	%	\$ Million	
Baillie Gifford Overseas Ltd.	56	1,741	Uses a bottom-up, stock-driven approach to select stocks that it believes have above-average growth rates and trade at reasonable prices.
Schroder Investment Management North America Inc.	41	1,276	Uses fundamental research to identify high-quality companies in developed and emerging markets that it believes have above-average growth potential.
Cash Investments	3	92	These short-term reserves are invested by Vanguard in equity index products to simulate investment in stocks. Each advisor may also maintain a modest cash position.

About Your Portfolio's Expenses

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

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

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

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

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

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

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

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

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

Six Months Ended December 31, 2018

	Beginning Account Value 6/30/2018	Ending Account Value 12/31/2018	Expenses Paid During Period ¹
International Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$841.15	\$1.67
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.39	1.84

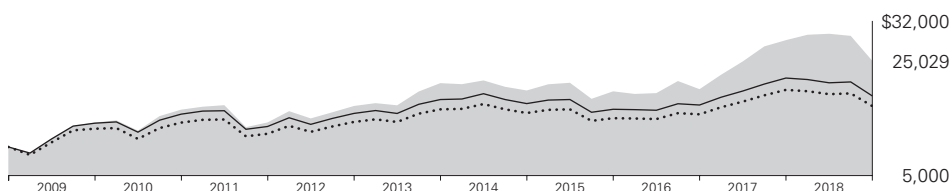
¹ The calculations are based on expenses incurred in the most recent six-month period. The portfolio's annualized six-month expense ratio for that period is 0.36%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

Performance Summary

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

Cumulative Performance: December 31, 2008–December 31, 2018

Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended December 31, 2018			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
International Portfolio	-12.61 %	3.44 %	9.61 %	\$25,029
Spliced International Index ¹	-14.20	0.68	5.53	17,128
MSCI All Country World Index ex USA	-14.20	0.68	6.57	18,899

¹ MSCI EAFE Index through May 31, 2010; MSCI All Country World Index ex USA thereafter.
See Financial Highlights for dividend and capital gains information.

Sector Diversification

As of December 31, 2018

Communication Services	13.8%
Consumer Discretionary	30.1
Consumer Staples	6.4
Energy	1.7
Financials	15.4
Health Care	9.9
Industrials	9.4
Information Technology	8.1
Materials	4.6
Other	0.6
Real Estate	0.0
Utilities	0.0

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

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

International Portfolio

	Shares	Market Value* (\$000)
United Kingdom (8.9%)		
Rolls-Royce Holdings plc	4,382,443	46,170
Diageo plc	954,152	34,096
* BHP Group plc	1,153,792	24,381
* Ocado Group plc	2,167,710	21,850
AstraZeneca plc	286,050	21,353
Reckitt Benckiser Group plc	273,360	20,933
Royal Dutch Shell plc Class A	677,850	19,980
GlaxoSmithKline plc	901,012	17,172
Burberry Group plc	682,223	14,981
Vodafone Group plc	6,600,301	12,833
Whitbread plc	204,258	11,928
Smith & Nephew plc	587,510	10,998
Aviva plc	2,063,447	9,876
*.3Aston Martin Lagonda Global Holdings plc	608,572	9,491
		276,042
United States (9.8%)		
* Amazon.com Inc.	67,094	100,773
* Illumina Inc.	223,073	66,906
*.^ Tesla Inc.	178,353	59,356
* MercadoLibre Inc.	153,825	45,048
* Booking Holdings Inc.	7,083	12,200
*.^ NIO Inc. ADR	1,659,408	10,570
Philip Morris International Inc.	140,393	9,373
		304,226
Total Common Stocks (Cost \$2,614,339)		2,984,088
Preferred Stocks (0.3%)		
*.3.2.5 CureVac GmbH	1,452	3,551
*.3.2.5 You & Mr. Jones	5,200,000	5,980
Total Preferred Stocks (Cost \$8,759)		9,531
Temporary Cash Investments (6.1%)¹		
Money Market Fund (5.9%)		
^{6.7} Vanguard Market Liquidity Fund, 2.530%	1,832,154	183,216

	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (0.2%)		
⁸ United States Treasury Bill, 2.365%, 3/21/19	400	398
⁸ United States Treasury Bill, 2.423%–2.435%, 4/11/19	5,200	5,166
⁸ United States Treasury Bill, 2.497%, 5/23/19	700	693
		6,257
Total Temporary Cash Investments (Cost \$189,485)		189,473
Total Investments (102.4%) (Cost \$2,812,583)		3,183,092
Other Assets and Liabilities (-2.4%)		
Other Assets ^{8,9}		22,641
Liabilities ⁷		(97,053)
		(74,412)
Net Assets (100%)		
Applicable to 134,321,368 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization)		3,108,680
Net Asset Value Per Share		\$23.14
	Amount (\$000)	
Statement of Assets and Liabilities		
Assets		
Investments in Securities, at Value		
Unaffiliated Issuers	2,986,257	
Affiliated Issuers	196,835	
Total Investments in Securities	3,183,092	
Investment in Vanguard	176	
Receivables for Investment Securities		
Sold		138
Receivables for Accrued Income		5,953
Receivables for Capital Shares Issued		1,612
Variation Margin Receivable—		
Futures Contracts		842
Unrealized Appreciation—		
Forward Currency Contracts		1,249
Other Assets ^{8,9}		12,671
Total Assets		3,205,733
Liabilities		
Payables for Investment Securities		
Purchased		359
Collateral for Securities on Loan		88,043
Payables to Investment Advisor		1,495
Payables for Capital Shares Redeemed		4,116
Payables to Vanguard		2,423
Variation Margin Payable—		
Futures Contracts		129
Unrealized Depreciation—		
Forward Currency Contracts		488
Total Liabilities		97,053
Net Assets		3,108,680

At December 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	2,586,425
Total Distributable Earnings (Loss)	522,255
Net Assets	3,108,680

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

[^] Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$83,775,000.

[§] Security value determined using significant unobservable inputs.

¹ The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 98.4% and 3.7%, respectively, of net assets.

² Restricted securities totaling \$25,296,000, representing 0.8% of net assets. See Restricted Securities table for additional information.

³ Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2018, the aggregate value of these securities was \$64,334,000, representing 2.1% of net assets.

⁴ Considered an affiliated company of the portfolio as the issuer is another member of The Vanguard Group.

⁵ Perpetual security with no stated maturity date.

⁶ Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

⁷ Includes \$88,043,000 of collateral received for securities on loan.

⁸ Securities with a value of \$3,277,000 and cash of \$980,000 have been segregated as initial margin for open futures contracts.

⁹ Cash of \$1,570,000 has been segregated as collateral for open forward currency contracts.

ADR—American Depositary Receipt.

Restricted Securities as of Period End

Security Name	Acquisition Date	Acquisition Cost (\$000)
You & Mr. Jones	September 2015	5,200
CureVac GmbH	October 2015	3,559
ANI Technologies	December 2015	5,969
Meituan Dianping	December 2015	8,044

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
Dow Jones EURO STOXX 50 Index	March 2019	766	26,101	(572)
Topix Index	March 2019	158	21,529	(1,206)
FTSE 100 Index	March 2019	154	13,071	(109)
S&P ASX 200 Index	March 2019	132	12,926	45
				(1,842)

Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (Depreciation) (\$000)
			Receive	Deliver		
Citibank, N.A.	3/20/19	EUR	26,775	USD	30,685	198
Morgan Stanley Capital Services LLC	3/12/19	JPY	3,125,377	USD	27,803	875
Bank of America, N.A.	3/26/19	AUD	23,823	USD	17,121	(318)
Bank of America, N.A.	3/20/19	GBP	13,310	USD	16,902	129
BNP Paribas	3/20/19	USD	3,045	EUR	2,658	(21)
Goldman Sachs International	3/12/19	USD	2,929	JPY	327,495	(76)
UBS AG	3/12/19	USD	2,002	JPY	221,400	(30)
Goldman Sachs International	3/26/19	USD	1,983	AUD	2,762	35
Morgan Stanley Capital Services LLC	3/20/19	USD	1,857	GBP	1,463	(15)
Goldman Sachs International	3/20/19	USD	1,620	GBP	1,277	(14)
Citibank, N.A.	3/26/19	USD	1,328	AUD	1,882	1
Bank of America, N.A.	3/20/19	USD	908	EUR	788	(1)
Deutsche Bank AG	3/26/19	USD	596	AUD	830	11
Bank of America, N.A.	3/12/19	USD	558	JPY	62,140	(12)
UBS AG	3/20/19	USD	254	GBP	200	(1)
						761

AUD—Australian dollar.

EUR—Euro.

GBP—British pound.

JPY—Japanese yen.

USD—U.S. dollar.

At December 31, 2018, the counterparties had deposited in segregated accounts securities and cash with a value of \$1,147,000 in connection with open forward currency contracts.

Statement of Operations

	Year Ended December 31, 2018
	(\$000)
Investment Income	
Income	
Dividends—Unaffiliated Issuers ¹	55,367
Dividends—Affiliated Issuers	445
Interest—Unaffiliated Issuers	132
Interest—Affiliated Issuers	2,140
Securities Lending—Net	2,589
Total Income	60,673
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	5,297
Performance Adjustment	1,054
The Vanguard Group—Note C	
Management and Administrative	5,719
Marketing and Distribution	568
Custodian Fees	302
Auditing Fees	45
Shareholders' Reports	34
Trustees' Fees and Expenses	5
Total Expenses	13,024
Net Investment Income	47,649
Realized Net Gain (Loss)	
Investment Securities Sold— Unaffiliated Issuers	124,149
Investment Securities Sold— Affiliated Issuers	42
Futures Contracts	(7,141)
Forward Currency Contracts	(6,156)
Foreign Currencies	(601)
Realized Net Gain (Loss)	110,293
Change in Unrealized Appreciation (Depreciation)	
Investment Securities— Unaffiliated Issuers	(622,290)
Investment Securities—Affiliated Issuers	(2,740)
Futures Contracts	(2,130)
Forward Currency Contracts	279
Foreign Currencies	(15)
Change in Unrealized Appreciation (Depreciation)	(626,896)
Net Increase (Decrease) in Net Assets Resulting from Operations	(468,954)

¹ Dividends are net of foreign withholding taxes of \$6,595,000.

Statement of Changes in Net Assets

	Year Ended December 31,	
	2018	2017
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	47,649	25,211
Realized Net Gain (Loss)	110,293	88,986
Change in Unrealized Appreciation (Depreciation)	(626,896)	807,230
Net Increase (Decrease) in Net Assets Resulting from Operations	(468,954)	921,427
Distributions		
Net Investment Income	(26,488)	(28,317)
Realized Capital Gain	(88,646)	(17,320)
Total Distributions	(115,134)	(45,637)
Capital Share Transactions		
Issued	993,064	473,459
Issued in Lieu of Cash Distributions	115,134	45,637
Redeemed	(613,419)	(327,894)
Net Increase (Decrease) from Capital Share Transactions	494,779	191,202
Total Increase (Decrease)	(89,309)	1,066,992
Net Assets		
Beginning of Period	3,197,989	2,130,997
End of Period	3,108,680	3,197,989

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$27.34	\$19.54	\$19.80	\$20.63	\$22.28
Investment Operations					
Net Investment Income	.367 ¹	.224 ¹	.271 ¹	.278	.401 ²
Net Realized and Unrealized Gain (Loss) on Investments	(3.644)	7.992	.075	(.394)	(1.736)
Total from Investment Operations	(3.277)	8.216	.346	(.116)	(1.335)
Distributions					
Dividends from Net Investment Income	(.212)	(.258)	(.280)	(.392)	(.315)
Distributions from Realized Capital Gains	(.711)	(.158)	(.326)	(.322)	—
Total Distributions	(.923)	(.416)	(.606)	(.714)	(.315)
Net Asset Value, End of Period	\$23.14	\$27.34	\$19.54	\$19.80	\$20.63
Total Return	-12.61%	42.60%	1.93%	-0.77%	-6.05%
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	\$3,109	\$3,198	\$2,131	\$2,253	\$2,203
Ratio of Total Expenses to Average Net Assets ³	0.37%	0.39%	0.39%	0.40%	0.46%
Ratio of Net Investment Income to Average Net Assets	1.36%	0.93%	1.40%	1.37%	1.89% ²
Portfolio Turnover Rate	16%	16%	29%	23%	24%

1 Calculated based on average shares outstanding.

2 Net investment income per share and the ratio of net investment income to average net assets include \$0.061 and 0.28%, respectively, resulting from income received from Vodafone Group Plc in the form of cash and shares in Verizon Communications Inc. in February 2014.

3 Includes performance-based investment advisory fee increases (decreases) of 0.03%, 0.03%, 0.03%, 0.03%, and 0.03%.

Notes to Financial Statements

International 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. The portfolio invests in securities of foreign issuers, which may subject it to investment risks not normally associated with investing in securities of U.S. corporations.

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

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. 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. Futures and Forward Currency Contracts: The portfolio uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The portfolio may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

The portfolio enters into forward currency contracts to provide the appropriate currency exposure related to any open futures contracts or to protect the value of securities and related receivables and payables against changes in 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.

Futures contracts are valued at their quoted daily settlement prices. 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 Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized gains (losses) on futures or forward currency contracts.

During the year ended December 31, 2018, the portfolio's average investments in long and short futures contracts represented 2% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period. The portfolio's average investment in forward currency contracts represented 2% of net assets, based on the average of the notional amounts at each quarter-end during the period.

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

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

6. Securities Lending: To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

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

The portfolio had no borrowings outstanding at December 31, 2018, or at any time during the period then ended.

8. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

Withholding taxes on foreign dividends and capital gains have been provided for in accordance with the portfolio's understanding of the applicable countries' tax rules and rates. The portfolio has filed tax reclaims for previously withheld taxes on dividends earned in certain European Union countries. These filings are subject to various administrative and judicial proceedings within these countries. Such tax reclaims received during the year, if any, are included in dividend income. No other amounts for additional tax reclaims are reflected in the financial statements due to the uncertainty as to the ultimate resolution of proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment.

B. The investment advisory firms Baillie Gifford Overseas Ltd. and Schroder Investment Management North America Inc. each provide investment advisory services to a portion of the portfolio for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee of Baillie Gifford Overseas Ltd. and Schroder Investment Management North America Inc. is subject to quarterly adjustments based on performance relative to the MSCI All Country World Index ex USA for the preceding three years.

Vanguard manages the cash reserves of the portfolio as described below.

For the year ended December 31, 2018, the aggregate investment advisory fee represented an effective annual basic rate of 0.15% of the portfolio's average net assets, before an increase of \$1,054,000 (0.03%) based on performance.

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, distribution, and cash management services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Assets and Liabilities. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2018, the portfolio had contributed to Vanguard capital in the amount of \$176,000, representing 0.01% of the portfolio's net assets and 0.07% of Vanguard's capitalization. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

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

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks—North and South America	337,136	23,623	—
Common Stocks—Other	321,756	2,296,321	5,252
Preferred Stocks	—	—	9,531
Temporary Cash Investments	183,216	6,257	—
Futures Contracts—Assets ¹	842	—	—
Futures Contracts—Liabilities ¹	(129)	—	—
Forward Currency Contracts—Assets	—	1,249	—
Forward Currency Contracts—Liabilities	—	(488)	—
Total	842,821	2,326,962	14,783

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

The determination of Level 3 fair value measurements is governed by documented policies and procedures adopted by the board of trustees. The board has designated a pricing review committee, as an agent of the board, to ensure the timely analysis and valuation of Level 3 securities held by the portfolio in accordance with established policies and procedures. The pricing review committee employs various methods for calibrating valuation approaches, including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity. All valuation decisions made by the pricing review committee are reported to the board on a quarterly basis for review and ratification. The board reviews the adequacy of the fair value measurement policies and procedures in place on an annual basis.

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

Statement of Assets and Liabilities Caption	Equity Contracts (\$000)	Foreign Exchange Contracts (\$000)	Total (\$000)
Variation Margin Receivable—Futures Contracts	842	—	842
Unrealized Appreciation—Forward Currency Contracts	—	1,249	1,249
Total Assets	842	1,249	2,091
Variation Margin Payable—Futures Contracts	(129)	—	(129)
Unrealized Depreciation— Forward Currency Contracts	—	(488)	(488)
Total Liabilities	(129)	(488)	(617)

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

	Equity Contracts (\$000)	Foreign Exchange Contracts (\$000)	Total (\$000)
Realized Net Gain (Loss) on Derivatives			
Futures Contracts	(7,141)	—	(7,141)
Forward Currency Contracts	—	(6,156)	(6,156)
Realized Net Gain (Loss) on Derivatives	(7,141)	(6,156)	(13,297)
Change in Unrealized Appreciation (Depreciation) on Derivatives			
Futures Contracts	(2,130)	—	(2,130)
Forward Currency Contracts	—	279	279
Change in Unrealized Appreciation (Depreciation) on Derivatives	(2,130)	279	(1,851)

F. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for foreign currency transactions, passive foreign investment companies, and distributions in connection with fund share redemptions were reclassified between the following accounts:

	Amount (\$000)
Paid-in Capital	263
Total Distributable Earnings (Loss)	(263)

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

	Amount (\$000)
Undistributed Ordinary Income	49,186
Undistributed Long-Term Gains	106,995
Capital Loss Carryforwards (Non-expiring)	—
Net Unrealized Gains (Losses)	368,230

International Portfolio

As of December 31, 2018, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	2,813,593
Gross Unrealized Appreciation	699,488
Gross Unrealized Depreciation	(331,150)
Net Unrealized Appreciation (Depreciation)	368,338

G. During the year ended December 31, 2018, the portfolio purchased \$887,268,000 of investment securities and sold \$525,054,000 of investment securities, other than temporary cash investments.

H. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2018 Shares (000)	2017 Shares (000)
Issued	36,050	19,452
Issued in Lieu of Cash Distributions	4,051	2,105
Redeemed	(22,736)	(13,681)
Net Increase (Decrease) in Shares Outstanding	17,365	7,876

At December 31, 2018, one shareholder, an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders, was the record or beneficial owner of 32% 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. Transactions during the period in investments where the issuer is another member of The Vanguard Group were as follows:

	Dec. 31, 2017 Market Value (\$000)	Current Period Transactions						Dec. 31, 2018 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold (\$000)	Realized Net Gain (Loss) (\$000)	Change in Net Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Vanguard Market Liquidity Fund	94,426	NA ¹	NA ¹	42	(9)	2,140	—	183,216
Vanguard FTSE All-World ex-US ETF Shares	16,350	—	—	—	(2,731)	445	—	13,619
Total	110,776			42	(2,740)	2,585	—	196,835

¹ Not applicable—purchases and sales are for temporary cash investment purposes.

J. Management has determined that no events or transactions occurred subsequent to December 31, 2018, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of International Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of net assets and statement of assets and liabilities of International Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodians and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 13, 2019

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

Special 2018 tax information (unaudited) for corporate shareholders only for Vanguard International Portfolio, a portfolio of Vanguard Variable Insurance Funds

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

The portfolio distributed \$71,678,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

The portfolio designates to shareholders foreign source income of \$49,824,000 and foreign taxes paid of \$4,897,000. Shareholders will receive more detailed information with their Form 1099-DIV in January 2019 to determine the calendar-year amounts to be included on their 2018 tax returns.

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The People Who Govern Your Fund

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

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 212 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustees¹

F. William McNabb III

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

Mortimer J. Buckley

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

Independent Trustees

Emerson U. Fullwood

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

Amy Gutmann

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

JoAnn Heffernan Heisen

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

F. Joseph Loughrey

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

Mark Loughridge

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

Scott C. Malpass

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

Deanna Mulligan

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

André F. Perold

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

Sarah Bloom Raskin

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

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

Peter F. Volanakis

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

Executive Officers**Glenn Booraem**

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

Christine M. Buchanan

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

Brian Dvorak

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

Thomas J. Higgins

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

Peter Mahoney

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

Anne E. Robinson

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

Michael Rollings

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

Vanguard Senior Management Team

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

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

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

Founder**John C. Bogle**

Chairman and Chief Executive Officer, 1974–1996



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