

Semiannual Report | June 30, 2022

Vanguard Variable Insurance Funds

Real Estate Index Portfolio

Contents

About Your Portfolio's Expenses 1
Financial Statements 3
Trustees Approve Advisory Arrangement14
Liquidity Risk Management.....15

About Your Portfolio's Expenses

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

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

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

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

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

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

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

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

You can find more information about the portfolio's expenses, including annual expense ratios, in the Financial Statements section of this report. For additional information on operating expenses and other shareholder costs, please refer to your portfolio's current prospectus.

Six Months Ended June 30, 2022

Real Estate Index Portfolio	Beginning Account Value 12/31/2021	Ending Account Value 6/30/2022	Expenses Paid During Period
Based on Actual Portfolio Return	\$1,000.00	\$ 794.60	\$1.16
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.51	1.30

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 0.26%. 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).

Real Estate Index Portfolio

Portfolio Allocation

As of June 30, 2022

Diversified Real Estate Activities	0.1%
Diversified REITs	3.0
Health Care REITs	8.3
Hotel & Resort REITs	2.4
Industrial REITs	11.4
Office REITs	5.9
Real Estate Development	0.2
Real Estate Operating Companies	0.5
Real Estate Services	3.8
Residential REITs	15.3
Retail REITs	10.9
Specialized REITs	38.2

The table reflects the portfolio's investments, except for short-term investments and derivatives. 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 portfolio may invest in derivatives (such as futures and swap contracts) for various reasons, including, but not limited to, attempting to remain fully invested and tracking its target index as closely as possible.

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.

Financial Statements (unaudited)

Schedule of Investments

As of June 30, 2022

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The portfolio's Form N-PORT reports are available on the SEC's website at www.sec.gov.

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (95.3%)					
Diversified REITs (3.0%)					
WP Carey Inc.	166,017	13,756	Innovative Industrial Properties Inc.	22,385	2,459
STORE Capital Corp.	216,285	5,641	Industrial Logistics Properties Trust	56,942	802
PS Business Parks Inc.	17,967	3,362	Plymouth Industrial REIT Inc.	31,249	548
Broadstone Net Lease Inc.	142,191	2,916			135,051
Essential Properties Realty Trust Inc.	109,619	2,356	Office REITs (5.9%)		
American Assets Trust Inc.	44,714	1,328	Alexandria Real Estate Equities Inc.	132,252	19,181
Global Net Lease Inc.	89,957	1,274	Boston Properties Inc.	129,565	11,529
Alexander & Baldwin Inc.	62,797	1,127	Kilroy Realty Corp.	91,578	4,792
Empire State Realty Trust Inc. Class A	124,617	876	Vornado Realty Trust	142,388	4,071
iStar Inc.	59,781	820	Cousins Properties Inc.	129,013	3,771
Armada Hoffer Properties Inc.	59,283	761	Douglas Emmett Inc.	152,378	3,410
Gladstone Commercial Corp.	33,124	624	Highwoods Properties Inc.	91,026	3,112
One Liberty Properties Inc.	14,726	383	* Equity Commonwealth	98,032	2,699
		35,224	SL Green Realty Corp.	56,117	2,590
Health Care REITs (8.3%)			Corporate Office Properties Trust	97,450	2,552
Welltower Inc.	389,353	32,063	JBG SMITH Properties	99,597	2,354
Ventas Inc.	347,599	17,877	Hudson Pacific Properties Inc.	131,045	1,945
Healthpeak Properties Inc.	469,564	12,166	Brandywine Realty Trust	148,164	1,428
Medical Properties Trust Inc.	519,236	7,929	Piedmont Office Realty Trust Inc. Class A	106,944	1,403
Omega Healthcare Investors Inc.	208,984	5,891	Easterly Government Properties Inc. Class A	71,399	1,359
Healthcare Trust of America Inc. Class A	192,475	5,372	Paramount Group Inc.	152,903	1,106
Healthcare Realty Trust Inc.	131,126	3,567	* Veris Residential Inc.	67,793	898
Physicians Realty Trust	195,995	3,420	Office Properties Income Trust	41,562	829
Sabra Health Care REIT Inc.	201,599	2,816	Orion Office REIT Inc.	49,967	548
National Health Investors Inc.	39,918	2,420	City Office REIT Inc.	37,066	480
CareTrust REIT Inc.	83,925	1,548	Franklin Street Properties Corp.	88,560	369
LTC Properties Inc.	34,162	1,312			70,426
Community Healthcare Trust Inc.	20,746	751	Residential REITs (15.3%)		
Global Medical REIT Inc.	54,165	608	AvalonBay Communities Inc.	121,765	23,653
Universal Health Realty Income Trust	11,396	606	Equity Residential	311,054	22,464
Diversified Healthcare Trust	211,854	386	Invitation Homes Inc.	529,347	18,834
		98,732	Mid-America Apartment Communities Inc.	100,480	17,551
Hotel & Resort REITs (2.4%)			Sun Communities Inc.	100,873	16,075
Host Hotels & Resorts Inc.	621,704	9,748	Essex Property Trust Inc.	56,793	14,852
* Ryman Hospitality Properties Inc.	45,646	3,470	UDR Inc.	277,395	12,771
Park Hotels & Resorts Inc.	204,913	2,781	Camden Property Trust	85,416	11,487
Apple Hospitality REIT Inc.	187,971	2,757	Equity LifeStyle Properties Inc.	153,626	10,826
Pebblebrook Hotel Trust	113,977	1,889	American Homes 4 Rent Class A	272,261	9,649
* Sunstone Hotel Investors Inc.	190,084	1,886	American Campus Communities Inc.	122,511	7,898
RLJ Lodging Trust	144,359	1,592	Apartment Income REIT Corp. Class A	136,721	5,688
* DiamondRock Hospitality Co.	182,656	1,500	Independence Realty Trust Inc.	192,342	3,987
* Xenia Hotels & Resorts Inc.	98,946	1,438	Washington REIT	76,094	1,622
Service Properties Trust	145,260	760	NexPoint Residential Trust Inc.	20,069	1,255
* Summit Hotel Properties Inc.	92,884	675	Centerspace	12,995	1,060
* Chatham Lodging Trust	40,128	419	* Apartment Investment & Management Co. Class A	130,954	838
		28,915	UMH Properties Inc.	43,231	763
Industrial REITs (11.3%)			Bluerock Residential Growth REIT Inc. Class A	25,290	665
Prologis Inc.	644,204	75,791			181,938
Duke Realty Corp.	333,308	18,315	Retail REITs (10.9%)		
Rexford Industrial Realty Inc.	139,424	8,029	Realty Income Corp.	514,613	35,128
Americold Realty Trust Inc.	233,376	7,011	Simon Property Group Inc.	285,927	27,140
EastGroup Properties Inc.	35,921	5,544	Kimco Realty Corp.	536,344	10,604
First Industrial Realty Trust Inc.	114,861	5,453	Regency Centers Corp.	134,247	7,962
STAG Industrial Inc.	154,473	4,770	National Retail Properties Inc.	152,971	6,578
Terreno Realty Corp.	65,530	3,652	Federal Realty OP LP	61,650	5,902
LXP Industrial Trust	249,241	2,677	Brixmor Property Group Inc.	259,842	5,251
			Agree Realty Corp.	61,983	4,471
			Spirit Realty Capital Inc.	111,319	4,206
			Phillips Edison & Co. Inc.	98,897	3,304

Real Estate Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Kite Realty Group Trust	189,836	3,282	* Forestar Group Inc.	16,711	229
SITE Centers Corp.	165,878	2,234			2,667
Retail Opportunity Investments Corp.	107,038	1,689	Real Estate Operating Companies (0.5%)		
Macerich Co.	184,568	1,608	* DigitalBridge Group Inc.	497,415	2,427
Urban Edge Properties	101,760	1,548	Kennedy-Wilson Holdings Inc.	107,522	2,036
InvenTrust Properties Corp.	58,138	1,499	*.2 WeWork Inc.	152,498	766
Tanger Factory Outlet Centers Inc.	90,202	1,283	* FRP Holdings Inc.	5,472	330
Acadia Realty Trust	78,452	1,225	* Seritage Growth Properties Class A	30,224	158
Getty Realty Corp.	34,141	905			5,717
Necessity Retail REIT Inc. Class A	112,232	817	Real Estate Services (3.8%)		
RPT Realty	74,393	731	* CBRE Group Inc. Class A	291,519	21,459
NETSTREIT Corp.	37,943	716	* Jones Lang LaSalle Inc.	43,567	7,618
Saul Centers Inc.	12,456	587	* Zillow Group Inc. Class C	143,622	4,560
Alexander's Inc.	1,954	434	* Cushman & Wakefield plc	127,541	1,944
Urstadt Biddle Properties Inc. Class A	26,700	433	* Zillow Group Inc. Class A	53,136	1,690
* CBL & Associates Properties Inc.	10,909	256	* Opendoor Technologies Inc.	350,751	1,652
*.1 Spirit MTA REIT	42,040	11	* Newmark Group Inc. Class A	165,616	1,602
		129,804	* Anywhere Real Estate Inc.	101,839	1,001
Specialized REITs (38.2%)			* Marcus & Millichap Inc.	22,189	821
American Tower Corp.	396,812	101,421	*.2 Compass Inc. Class A	194,672	703
Crown Castle International Corp.	376,199	63,344	* eXp World Holdings Inc.	57,908	682
Equinix Inc.	78,981	51,892	* Redfin Corp.	82,550	680
Public Storage	137,177	42,891	RE/MAX Holdings Inc. Class A	16,564	406
Digital Realty Trust Inc.	247,686	32,157	* Douglas Elliman Inc.	62,893	301
SBA Communications Corp.	94,698	30,308	* Offerpad Solutions Inc.	49,631	108
VICI Properties Inc.	837,373	24,945	* Doma Holdings Inc.	83,752	86
Weyerhaeuser Co.	649,202	21,502			45,313
Extra Space Storage Inc.	116,627	19,841	Total Real Estate Management & Development (Cost \$82,901)		55,199
Iron Mountain Inc.	252,253	12,282	Temporary Cash Investments (0.1%)		
Gaming & Leisure Properties Inc.	204,660	9,386	Money Market Fund (0.1%)		
CubeSmart	195,078	8,334	^{3,4} Vanguard Market Liquidity Fund, 1.417% (Cost \$863)	8,633	863
Life Storage Inc.	72,896	8,140			
Lamar Advertising Co. Class A	75,629	6,653	Total Investments (100.0%)		1,190,234
Rayonier Inc.	126,345	4,723	(Cost \$1,217,787)		
National Storage Affiliates Trust	75,585	3,785	Other Assets and Liabilities—Net (0.0%)		(316)
EPR Properties	64,987	3,050	Net Assets (100%)		1,189,918
PotlatchDeltic Corp.	60,243	2,662			
Uniti Group Inc.	204,781	1,929	Cost is in \$000		
Four Corners Property Trust Inc.	69,430	1,846	* See Note A in Notes to Financial Statements.		
Outfront Media Inc.	107,805	1,827	* Non-income-producing security.		
Gladstone Land Corp.	28,668	635	1 Security value determined using significant unobservable inputs.		
Safehold Inc.	14,971	529	2 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$710,000.		
		454,082	3 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.		
Total Equity Real Estate Investment Trusts (REITs) (Cost \$1,134,023)		1,134,172	4 Collateral of \$848,000 was received for securities on loan.		
Real Estate Management & Development (4.6%)			REIT—Real Estate Investment Trust.		
Diversified Real Estate Activities (0.1%)					
St. Joe Co.	28,093	1,111			
RMR Group Inc. Class A	13,790	391			
		1,502			
Real Estate Development (0.2%)					
* Howard Hughes Corp.	35,835	2,438			

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 U.S. Real Estate Index	September 2022	33	1,178	(7)

Statement of Assets and Liabilities

As of June 30, 2022

(\$000s, except shares and per-share amounts)	Amount
Assets	
Investments in Securities, at Value ¹	
Unaffiliated Issuers (Cost \$1,216,924)	1,189,371
Affiliated Issuers (Cost \$863)	863
Total Investments in Securities	1,190,234
Investment in Vanguard	46
Cash Collateral Pledged—Futures Contracts	92
Receivables for Investment Securities Sold	198
Receivables for Accrued Income	3,961
Receivables for Capital Shares Issued	250
Total Assets	1,194,781
Liabilities	
Due to Custodian	809
Payables for Investment Securities Purchased	2,189
Collateral for Securities on Loan	848
Payables for Capital Shares Redeemed	889
Payables to Vanguard	125
Variation Margin Payable—Futures Contracts	3
Total Liabilities	4,863
Net Assets	1,189,918

¹ Includes \$710 of securities on loan.

At June 30, 2022, net assets consisted of:

Paid-in Capital	1,172,777
Total Distributable Earnings (Loss)	17,141
Net Assets	1,189,918
Net Assets	
Applicable to 95,725,300 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	1,189,918
Net Asset Value Per Share	\$12.43

Statement of Operations

	Six Months Ended June 30, 2022
	(\$000)
Investment Income	
Income	
Dividends	14,332
Interest ¹	1
Securities Lending—Net	—
Total Income	14,333
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	94
Management and Administrative	1,578
Marketing and Distribution	49
Custodian Fees	9
Shareholders' Reports	10
Trustees' Fees and Expenses	—
Other Expenses	4
Total Expenses	1,744
Net Investment Income	12,589
Realized Net Gain (Loss)	
Capital Gain Distributions Received	3,036
Investment Securities Sold ¹	29,544
Futures Contracts	(217)
Realized Net Gain (Loss)	32,363
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	(357,633)
Futures Contracts	(88)
Change in Unrealized Appreciation (Depreciation)	(357,721)
Net Increase (Decrease) in Net Assets Resulting from Operations	(312,769)

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

Statement of Changes in Net Assets

	Six Months Ended June 30, 2022	Year Ended December 31, 2021
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	12,589	23,366
Realized Net Gain (Loss)	32,363	55,051
Change in Unrealized Appreciation (Depreciation)	(357,721)	357,888
Net Increase (Decrease) in Net Assets Resulting from Operations	(312,769)	436,305
Distributions		
Total Distributions	(77,984)	(58,868)
Capital Share Transactions		
Issued	85,806	219,715
Issued in Lieu of Cash Distributions	77,984	58,868
Redeemed	(121,019)	(195,227)
Net Increase (Decrease) from Capital Share Transactions	42,771	83,356
Total Increase (Decrease)	(347,982)	460,793
Net Assets		
Beginning of Period	1,537,900	1,077,107
End of Period	1,189,918	1,537,900

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended	Year Ended December 31,				
	June 30, 2022	2021	2020	2019	2018	2017
Net Asset Value, Beginning of Period	\$16.56	\$12.43	\$13.74	\$11.57	\$13.14	\$13.48
Investment Operations						
Net Investment Income ¹	.133	.257	.259	.329	.367	.375
Net Realized and Unrealized Gain (Loss) on Investments	(3.410)	4.553	(1.054)	2.874	(1.084)	.220
Total from Investment Operations	(3.277)	4.810	(.795)	3.203	(.717)	.595
Distributions						
Dividends from Net Investment Income	(.262)	(.293)	(.316)	(.368)	(.383)	(.336)
Distributions from Realized Capital Gains	(.591)	(.387)	(.199)	(.665)	(.470)	(.599)
Total Distributions	(.853)	(.680)	(.515)	(1.033)	(.853)	(.935)
Net Asset Value, End of Period	\$12.43	\$16.56	\$12.43	\$13.74	\$11.57	\$13.14
Total Return	-20.54%	40.21%	-4.85%	28.81%	-5.35%	4.78%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$1,190	\$1,538	\$1,077	\$1,242	\$965	\$1,077
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.26%	0.26%	0.26%	0.27%
Ratio of Net Investment Income to Average Net Assets	1.81%	1.79%	2.19%	2.52%	3.04%	2.87%
Portfolio Turnover Rate	6%	12%	10%	7%	35%	10%

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

¹ Calculated based on average shares outstanding.

Notes to Financial Statements

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

Significant market disruptions, such as those caused by pandemics (e.g., COVID-19 pandemic), natural or environmental disasters, war (e.g., Russia's invasion of Ukraine), acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the portfolio's investments and portfolio performance.

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

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

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

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Assets and Liabilities. 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 contracts.

During the six months ended June 30, 2022, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. **Federal Income Taxes:** The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. The portfolio's tax returns are open to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. Management has analyzed the portfolio's tax positions taken for all open federal and state income tax years, and has concluded that no provision for income tax is required in the portfolio's financial statements.

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

5. **Securities Lending:** To earn additional income, the portfolio lends its securities to qualified institutional borrowers. Security loans are subject to termination by the portfolio at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The portfolio further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of

prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the portfolio may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the portfolio may experience delays and costs in recovering the securities loaned. The portfolio invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Collateral investments in Vanguard Market Liquidity Fund are subject to market appreciation or depreciation. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the portfolio is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facilities and Interfund Lending Program: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.4 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement and an uncommitted credit facility provided by Vanguard. Both facilities may be renewed annually. Each fund is individually liable for its borrowings, if any, under the credit facilities. Borrowings may be utilized for temporary or emergency purposes and are subject to the portfolio's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed amount of the facility, which 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 either facility bear interest at an agreed-upon spread plus the higher of the federal funds effective rate, the overnight bank funding rate, or the Daily Simple Secured Overnight Financing Rate inclusive of an additional agreed-upon spread. However, borrowings under the uncommitted credit facility may bear interest based upon an alternate rate agreed to by the portfolio and Vanguard.

In accordance with an exemptive order (the "Order") from the SEC, the portfolio may participate in a joint lending and borrowing program that allows registered open-end Vanguard funds to borrow money from and lend money to each other for temporary or emergency purposes (the "Interfund Lending Program"), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the portfolio's investment objective and investment policies. Interfund loans and borrowings normally extend overnight but can have a maximum duration of seven days. Loans may be called on one business day's notice. The interest rate to be charged is governed by the conditions of the Order and internal procedures adopted by the board of trustees. The board of trustees is responsible for overseeing the Interfund Lending Program.

For the six months ended June 30, 2022, the portfolio did not utilize the credit facilities or the Interfund Lending Program.

7. Other: Distributions received from investment securities are recorded on the ex-dividend date. Non-cash dividends included in income, if any, are recorded at the fair value of the securities received. Each investment security reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the investment securities, and management's estimates of such amounts for investment security distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees and 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, 2022, the portfolio had contributed to Vanguard capital in the amount of \$46,000, representing less than 0.01% of the portfolio's net assets and 0.02% of Vanguard's capital received pursuant to the FSA. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments and derivatives. 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 and derivatives valued with significant unobservable inputs are noted on the Schedule of Investments.

The following table summarizes the market value of the portfolio's investments and derivatives as of June 30, 2022, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
Investments				
Assets				
Common Stocks	1,189,360	—	11	1,189,371
Temporary Cash Investments	863	—	—	863
Total	1,190,223	—	11	1,190,234
Derivative Financial Instruments				
Liabilities				
Futures Contracts ¹	7	—	—	7

¹ Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

D. As of June 30, 2022, 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	1,218,985
Gross Unrealized Appreciation	202,171
Gross Unrealized Depreciation	(230,929)
Net Unrealized Appreciation (Depreciation)	(28,758)

E. During the six months ended June 30, 2022, the portfolio purchased \$78,001,000 of investment securities and sold \$93,521,000 of investment securities, other than temporary cash investments.

The portfolio purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended June 30, 2022, such purchases were \$198,000 and sales were \$54,000, resulting in net realized loss of \$36,000; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

F. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2022	Year Ended December 31, 2021
	Shares (000)	Shares (000)
Issued	5,914	15,445
Issued in Lieu of Cash Distributions	5,356	4,535
Redeemed	(8,387)	(13,787)
Net Increase (Decrease) in Shares Outstanding	2,883	6,193

At June 30, 2022, 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 39% of the portfolio's net assets. If this shareholder were to redeem its

investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio, cause the portfolio to incur higher transaction costs, or lead to the realization of taxable capital gains.

G. Management has determined that no events or transactions occurred subsequent to June 30, 2022, that would require recognition or disclosure in these financial statements.

Trustees Approve Advisory Arrangement

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

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

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

In addition, the board received periodic reports throughout the year, which included information about the portfolio's performance relative to its peers and benchmark, as applicable, and updates, as needed, on the Portfolio Review Department's ongoing assessment of the advisor.

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

Nature, extent, and quality of services

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

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

Investment performance

The board considered the short- and long-term performance of the portfolio, including any periods of outperformance or underperformance compared with its target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue.

Cost

The board concluded that the portfolio's expense ratio was below the average expense ratio charged by funds in its peer group and that the portfolio's advisory expenses were also below the peer-group average.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

The benefit of economies of scale

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

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

Liquidity Risk Management

Vanguard funds (except for the money market funds) have adopted and implemented a written liquidity risk management program (the "Program") as required by Rule 22e-4 under the Investment Company Act of 1940. Rule 22e-4 requires that each fund adopt a program that is reasonably designed to assess and manage the fund's liquidity risk, which is the risk that the fund could not meet redemption requests without significant dilution of remaining investors' interests in the fund.

Assessment and management of a fund's liquidity risk under the Program take into consideration certain factors, such as the fund's investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions, its short- and long-term cash-flow projections during both normal and reasonably foreseeable stressed conditions, and its cash and cash-equivalent holdings and access to other funding sources. As required by the rule, the Program includes policies and procedures for classification of fund portfolio holdings in four liquidity categories, maintaining certain levels of highly liquid investments, and limiting holdings of illiquid investments.

The board of trustees of Vanguard Variable Insurance Funds approved the appointment of liquidity risk management program administrators responsible for administering the Real Estate Index Portfolio's Program and for carrying out the specific responsibilities set forth in the Program, including reporting to the board on at least an annual basis regarding the Program's operation, its adequacy, and the effectiveness of its implementation for the past year (the "Program Administrator Report"). The board has reviewed the Program Administrator Report covering the period from January 1, 2021, through December 31, 2021 (the "Review Period"). The Program Administrator Report stated that during the Review Period the Program operated and was implemented effectively to manage the portfolio's liquidity risk.

This page intentionally left blank.

This page intentionally left blank.



Connect with Vanguard® > vanguard.com

Fund Information > 800-662-7447

Direct Investor Account Services > 800-662-2739

Institutional Investor Services > 800-523-1036

Text Telephone for People

Who Are Deaf or Hard of Hearing > 800-749-7273

You can review information about your portfolio on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to publicinfo@sec.gov.

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

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