



**Important information about shareholder reports**

Beginning in July 2024, amendments adopted by the Securities and Exchange Commission will substantially impact the design, content, and transmission of shareholder reports. Shareholder reports will provide key fund information in a clear and concise format and must be mailed to each shareholder that has not elected to receive the reports electronically. Financial statements will no longer be included in the shareholder report but will be available at [vanguard.com](http://vanguard.com), can be mailed upon request, or can be accessed on the SEC's website at [www.sec.gov](http://www.sec.gov).

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](http://vanguard.com).

**Contents**

- Your Portfolio's Performance at a Glance..... 1
- Advisors' Report..... 2
- About Your Portfolio's Expenses ..... 5
- Performance Summary ..... 6
- Financial Statements ..... 8
- Trustees Approve Advisory Arrangement .....29

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

## Your Portfolios Performance at a Glance

- The financial markets delivered very robust returns for the 12 months ended December 31, 2023. The High Yield Bond Portfolio returned 11.66%, trailing the 12.14% return of its composite benchmark index.
- With inflation continuing to ease, several major central banks slowed and eventually stopped hiking interest rates. Global growth, employment, and consumer spending showed resilience, but the prospect of rates remaining high for an extended period spurred volatility at times. Toward year-end, however, global stocks and bonds rallied as falling inflation and softening economic growth raised market expectations for rate cuts in 2024.
- Bond yields ended 2023 mixed. U.S. Treasuries returned 4.05%, trailing corporate bonds (+8.52%) and mortgage-backed bonds (+5.05%), as measured by components of the Bloomberg U.S. Aggregate Bond Index.
- By credit quality, lower-rated investment-grade bonds generally fared better than higher-rated ones; by maturity, longer-dated bonds outperformed those with shorter maturities.
- Please note that the portfolio's returns may be different from those in variable annuity products that invest in the portfolio, which take insurance-related expenses into account.

### Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2023		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	26.53%	8.97%	15.52%
Russell 2000 Index (Small-caps)	16.93	2.22	9.97
Russell 3000 Index (Broad U.S. market)	25.96	8.54	15.16
FTSE All-World ex US Index (International)	15.82	1.98	7.52
<b>Bonds</b>			
Bloomberg U.S. Aggregate Float Adjusted Index (Broad taxable market)	5.60%	-3.33%	1.17%
Bloomberg Municipal Bond Index (Broad tax-exempt market)	6.40	-0.40	2.25
FTSE Three-Month U.S. Treasury Bill Index	5.26	2.24	1.91
<b>CPI</b>			
Consumer Price Index	3.35%	5.60%	4.07%



As market consensus now appears to embrace the soft-landing scenario, interest in high-yield fixed income among market participants has started to increase, but inflows represent a change from a very defensive stance overall. Although demand for high yield generally remains solid, we would not be surprised to see some crowding out due to relatively attractive yields offered across investment-grade corporate and government bond sectors. The quality of recent new issuance remains generally healthy, and we are not yet seeing widespread, aggressively structured deals or use of proceeds that increases leverage.

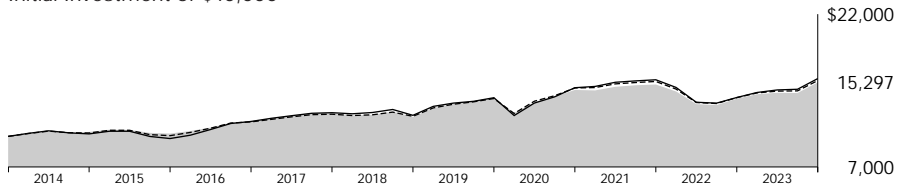
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As a shareholder of the portf

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

Cumulative Performance: December 31, 2013, Through December 31, 2023  
 Initial Investment of \$10,000



Average Annual Total Returns  
 Periods Ended December 31, 2023

	One Year	Five Years	Ten Years	Final Value of a \$10,000 Investment



## Portfolio Allocation

As of December 31, 2023

Communications	15.6%
Consumer Discretionary	16.6
Consumer Staples	3.3
Energy	11.3
Financials	7.3
Health Care	9.0
Industrials	9.7
Materials	9.7
Real Estate	1.5
Technology	8.1
U.S. Government Securities	5.5
Utilities	2.4

The table reflects the portfolio's investments, except for short-term investments, derivatives and other financial instruments.

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](http://www.sec.gov).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<b>U.S. Government and Agency Obligations (5.2%)</b>				
<b>U.S. Government Securities (5.2%)</b>				
<sup>1</sup> United States Treasury Note/Bond	2.500%	5/15/24	4,675	4,627
United States Treasury Note/Bond	4.250%	5/31/25	148	147
United States Treasury Note/Bond	2.875%	6/15/25	135	132
United States Treasury Note/Bond	4.750%	7/31/25	342	344
United States Treasury Note/Bond	5.000%	8/31/25	455	459
<sup>1,2</sup> United States Treasury Note/Bond	3.500%	9/15/25	1,228	1,210
United States Treasury Note/Bond	5.000%	9/30/25	2,500	2,526
United States Treasury Note/Bond	4.500%	11/15/25	877	880
United States Treasury Note/Bond	4.000%	2/15/26	4,475	4,455
United States Treasury Note/Bond	3.750%	4/15/26	7,031	6,967
United States Treasury Note/Bond	3.625%	5/15/26	2	2
United States Treasury Note/Bond	4.500%	7/15/26	2,055	2,075
United States Treasury Note/Bond	4.375%	8/15/26	1,283	1,292
United States Treasury Note/Bond	4.625%	9/15/26	26	26
United States Treasury Note/Bond	0.875%	9/30/26	300	276
United States Treasury Note/Bond	4.625%	10/15/26	501	509
United States Treasury Note/Bond	4.625%	11/15/26	108	110
<sup>2</sup> United States Treasury Note/Bond	2.375%	5/15/27	504	479
United States Treasury Note/Bond	3.125%	8/31/27	50	49
United States Treasury Note/Bond	4.125%	10/31/27	159	160
<sup>1</sup> United States Treasury Note/Bond	3.875%	11/30/27	2,439	2,435
United States Treasury Note/Bond	1.250%	4/30/28	1,920	1,719
United States Treasury Note/Bond	3.500%	4/30/28	519	511
United States Treasury Note/Bond	1.125%	8/31/28	354	313
United States Treasury Note/Bond	1.375%	10/31/28	1,963	1,748
United States Treasury Note/Bond	2.375%	3/31/29	241	224
United States Treasury Note/Bond	3.750%	6/30/30	862	855
United States Treasury Note/Bond	4.000%	7/31/30	163	164
United States Treasury Note/Bond	4.125%	8/31/30	1,140	1,156
United States Treasury Note/Bond	3.375%	5/15/33	16	15
United States Treasury Note/Bond	3.875%	8/15/33	221	221
United States Treasury Note/Bond	4.250%	5/15/39	1	1
United States Treasury Note/Bond	4.500%	8/15/39	1,107	1,174
United States Treasury Note/Bond	4.625%	2/15/40	47	50
United States Treasury Note/Bond	3.875%	5/15/43	651	623
United States Treasury Note/Bond	3.000%	2/15/48	37	30
United States Treasury Note/Bond	3.375%	11/15/48	451	394
United States Treasury Note/Bond	3.000%	2/15/49	19	16
United States Treasury Note/Bond	3.625%	2/15/53	12	11
United States Treasury Note/Bond	3.625%	5/15/53	14	13
<b>Total U.S. Government and Agency Obligations</b>	<b>(Cost \$38,073)</b>			<b>38,398</b>
<b>Corporate Bonds (</b>				

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>3</sup> Level 3 Financing Inc.	3.625%	1/15/29	698	293
<sup>3</sup> Level 3 Financing Inc.	3.875%	11/15/29	185	157
<sup>3</sup> Level 3 Financing Inc.	10.500%	5/15/30	725	707
<sup>3,4</sup> Lorca Telecom Bondco SA	4.000%	9/18/27	1,685	1,810
<sup>3</sup> Match Group Holdings II LLC	4.625%	6/1/28	140	134
<sup>3</sup> Match Group Holdings II LLC	4.125%	8/1/30	374	340
<sup>3</sup> Match Group Holdings II LLC	3.625%	10/1/31	575	497
<sup>3</sup> News Corp.	3.875%	5/15/29	1,120	1,035
<sup>3</sup> Nexstar Media Inc. Level 3 Financing Igc II LLC	3.625%		15926.052J%	Leven

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Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
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	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>3</sup> Baytex Energy Corp.	8.500%	4/30/30	190	197
<sup>3</sup> Blue Racer Midstream LLC / Blue Racer Finance Corp.	7.625%	12/15/25	260	263
<sup>3</sup> Blue Racer Midstream LLC / Blue Racer Finance Corp.	6.625%	7/15/26	475	473
Buckeye Partners LP	4.350%	10/15/24	150	147
<sup>3</sup> Buckeye Partners LP	4.125%	3/1/25	1,781	1,731
Buckeye Partners LP	3.950%	12/1/26	288	273
Buckeye Partners LP	4.125%	12/1/27	715	682
<sup>3</sup> Buckeye Partners LP	4.500%	3/1/28	2,734	2,595
Buckeye Partners LP	5.850%	11/15/43	500	405
Cheniere Energy Partners LP	4.500%	10/1/29	151	144
Cheniere Energy Partners LP	4.000%	3/1/31	125	114
<sup>3</sup> Chesapeake Energy Corp.	5.875%	2/1/29	505	495
<sup>3</sup> Chesapeake Energy Corp.	6.750%	4/15/29	735	738
<sup>3</sup> Civitas Resources Inc.	8.625%	11/1/30	365	388
<sup>3</sup> Civitas Resources Inc.	8.750%	7/1/31	840	892
<sup>3</sup> CNX Resources Corp.	6.000%	1/15/29	175	168
<sup>3</sup> CNX Resources Corp.	7.375%	1/15/31	560	566
Continental Resources Inc.	4.375%	1/15/28	628	608
Continental Resources Inc.	4.900%	6/1/44	955	771
<sup>3</sup> CrownRock LP / CrownRock Finance Inc.	5.625%	10/15/25	510	509
<sup>3</sup> Diamond Foreign Asset Co. / Diamond Finance LLC	8.500%	10/1/30	720	736
<sup>3</sup> DT Midstream Inc.	4.125%	6/15/29	2,885	2,660
<sup>3</sup> DT Midstream Inc.	4.375%	6/15/31	3,636	3,284
<sup>3</sup> Enerflex Ltd.	9.000%	10/15/27	1,195	1,158
<sup>3</sup> EnLink Midstream LLC	5.625%	1/15/28	720	710
EnLink Midstream LLC	5.375%	6/1/29	720	704
<sup>3</sup> EnLink Midstream LLC	6.500%	9/1/30	1,035	1,056
EnLink Midstream Partners LP	4.150%	6/1/25	750	734
EnLink Midstream Partners LP	4.850%	7/15/26	841	828
EnLink Midstream Partners LP	5.600%	4/1/44	25	22
EnLink Midstream Partners LP	5.050%	4/1/45	1,120	930
EnLink Midstream Partners LP	5.450%	6/1/47	663	584
EQM Midstream Partners LP	4.000%	06/4.0		

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	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>3,7</sup> American Airlines Inc. / AAdvantage Loyalty IP Ltd.	5.750%	4/20/29	849	828	<sup>3</sup> Ardagh Metal Packaging Finance USA LLC / Ardagh Metal Packaging Finance plc	3.250%	9/1/28	915	803
<sup>3</sup> Aramark Services Inc.	5.000%	4/1/25	1,871	1,857	<sup>3</sup> Ardagh Metal Packaging Finance USA LLC / Ardagh Metal Packaging Finance plc				
<sup>3</sup> Aramark Services Inc.	5.000%	2/1/28	1,500	1,452					
<sup>3</sup> Bombardier Inc.	8.750%	11/15/30	350	373					
<sup>3</sup> BWX Technologies Inc.	4.125%	6/30/28	1,058	982					
<sup>3</sup> BWX Technologies Inc.	4.125%	4/15/29	1,324	1,227					
<sup>3</sup> Chart Industries Inc.	7.500%	1/1/30	170	178					
<sup>3</sup> Chart Industries Inc.	9.500%	1/1/31	235	256					
<sup>3</sup> Clean Harbors Inc.	4.875%	7/15/27	1,449	1,418					
<sup>3</sup> Clean Harbors Inc.	5.125%	7/15/29	768	738					
<sup>3</sup> Clean Harbors Inc.	6.375%	2/1/31	726	738					
<sup>3</sup> Covanta Holding Corp.	4.875%	12/1/29	1,155	1,009					
Delta Air Lines Inc.	3.750%	10/28/29	145	134					
<sup>3</sup> Emerald Debt Merger Sub LLC	6.625%	12/15/30	3,825	3,928					
<sup>3</sup> First Student Bidco Inc. / First Transit Parent Inc.	4.000%	7/31/29	2,447	2,128					
<sup>3</sup> Garda World Security Corp.	7.750%	2/15/28	100	104					
<sup>3</sup> Gates Global LLC / Gates Corp.	6.250%	1/15/26	821	822					
<sup>3</sup> Hawaiian Brand Intellectual Property Ltd. / HawaiianMiles Loyalty Ltd.	5.750%	1/20/26	2,510	2,370					
<sup>3</sup> Herc Holdings Inc.	5.500%	7/15/27	4,536	4,483					
<sup>4</sup> Loxam SAS	2.875%	4/15/26	655	699					
<sup>4</sup> Loxam SAS	3.750%	7/15/26	400	436					
<sup>3</sup> Mileage Plus Holdings LLC / Mileage Plus Intellectual Property Assets Ltd.	6.500%	6/20/27	217	218					
<sup>3</sup> Mueller Water Products Inc.	4.000%	6/15/29	75	69					
<sup>3,4</sup> Q-Park Holding I BV	1.500%	3/1/25	805	870					
<sup>3,4</sup> Q-Park Holding I BV	2.000%	3/1/27	895	912					
<sup>3</sup> Ritchie Bros Holdings Inc.	6.750%	3/15/28	95	98					
<sup>3</sup> Roller Bearing Co. of America Inc.	4.375%	10/15/29	290	269					
<sup>3</sup> Rolls-Royce plc	3.625%	10/14/25	810	782					
<sup>3</sup> Rolls-Royce plc	5.750%	10/15/27	1,120	1,121					
<sup>3</sup> Sensata Technologies BV	5.000%	10/1/25	1,400	1,402					
<sup>3</sup> Sensata Technologies Inc.	4.375%	2/15/30	250	233					
<sup>3</sup> Sensata Technologies Inc.	3.750%	2/15/31	650	573					
Spirit AeroSystems Inc.	3.850%	6/15/26	65	63					
<sup>3</sup> Spirit AeroSystems Inc.	9.375%	11/30/29	1,711	1,873					
<sup>3</sup> Spirit AeroSystems Inc.	9.750%	11/15/30	1,495	1,607					
<sup>3,4</sup> TK Elevator Midco GmbH	4.375%	7/15/27	600	638					
<sup>3</sup> TK Elevator US Newco Inc.	5.250%	7/15/27	1,010	991					
<sup>3</sup> TopBuild Corp.	3.625%	3/15/29	60	54					
<sup>3</sup> TopBuild Corp.	4.125%	2/15/32	275	246					
<sup>3</sup> TransDigm Inc.	6.250%	3/15/26	2,020	2,018					
TransDigm Inc.	5.500%	11/15/27	425	417					
<sup>3</sup> TransDigm Inc.	6.750%	8/15/28	3,065	3,145					
TransDigm Inc.	4.625%	1/15/29	2,764	2,592					
TransDigm Inc.	4.875%	5/1/29	701	656					
<sup>3</sup> TransDigm Inc.	6.875%	12/15/30	1,240	1,277					
<sup>3</sup> TransDigm Inc.	7.125%	12/1/31	1,370	1,438					
<sup>3</sup> Triumph Group Inc.	9.000%	3/15/28	606	644					
<sup>3</sup> United Airlines Inc.	4.375%	4/15/26	1,150	1,122					
<sup>3</sup> United Airlines Inc.	4.625%	4/15/29	1,605	1,496					
<sup>7</sup> United Airlines Pass Through Trust Class A Series 2020-1	5.875%	4/15/29	479	484					
United Rentals North America Inc.	5.500%	5/15/27	638	640					
United Rentals North America Inc.	4.875%	1/15/28	1,674	1,635					
United Rentals North America Inc.	5.250%	1/15/30	640	632					
United Rentals North America Inc.	4.000%	7/15/30	1,895	1,746					
United Rentals North America Inc.	3.875%	2/15/31	881	801					
United Rentals North America Inc.	3.750%	1/15/32	625	555					
<sup>3</sup> WESCO Distribution Inc.	7.125%	6/15/25	360	363					
<sup>3</sup> Williams Scotsman Inc.	4.625%	8/15/28	430	407					
<sup>3</sup> Williams Scotsman Inc.	7.375%	10/1/31	615	649					
				63,709					
<b>Materials (9.2%)</b>									
<sup>3</sup> Advanced Drainage Systems Inc.	5.000%	9/30/27	175	170					
<sup>3</sup> Advanced Drainage Systems Inc.	6.375%	6/15/30	485	492					

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>3</sup> NOVA Chemicals Corp.	4.250%	5/15/29	145	122
<sup>3</sup> Novelis Corp.	3.250%	11/15/26	895	842
<sup>3</sup> Novelis Corp.	4.750%	1/30/30	1,419	1,337
<sup>3</sup> Novelis Corp.	3.875%	8/15/31	1,523	1,343
<sup>3</sup> OCI NV	4.625%	10/15/25	555	541
Olin Corp.	5.125%	9/15/27	115	112
<sup>3</sup> Olympus Water US Holding Corp.	7.125%	10/1/27	300	300
<sup>3</sup> Olympus Water US Holding Corp.	4.250%	10/1/28	579	523
<sup>3</sup> Olympus Water US Holding Corp.	9.750%	11/15/28	1,230	1,311
<sup>3</sup> Olympus Water US Holding Corp.	6.250%	10/1/29	345	308
<sup>3</sup> Owens-Brockway Glass Container Inc.	6.375%	8/15/25	1,245	1,255
<sup>3</sup> Owens-Brockway Glass Container Inc.	6.625%	5/13/27	805	807
<sup>3</sup> Owens-Brockway Glass Container Inc.	7.250%	5/15/31	645	655
<sup>3</sup> Pactiv Evergreen Group Issuer Inc./Pactiv Evergreen Group Issuer LLC	4.000%	10/15/27	525	493
<sup>3</sup> Pactiv Evergreen Group Issuer LLC / Pactiv Evergreen Group Issuer Inc.	4.375%	10/15/28	135	127
<sup>3</sup> Sealed Air Corp.	4.000%	12/1/27	275	259
<sup>3</sup> Sealed Air Corp.	6.125%	2/1/28	395	399
<sup>3</sup> Sealed Air Corp.	5.000%	4/15/29	335	326
<sup>3</sup> Sealed Air Corp.	6.875%	7/15/33	55	58
<sup>3</sup> Sealed Air Corp./Sealed Air Corp US	7.250%	2/15/31	290	308
Silgan Holdings Inc.	4.125%	2/1/28	620	592
<sup>4</sup> Silgan Holdings Inc.	2.250%	6/1/28	1,320	1,338
<sup>3</sup> SNF Group SACA	3.125%	3/15/27	430	392
<sup>3</sup> SNF Group SACA	3.375%	3/15/30	160	137
<sup>3</sup> Standard Industries Inc.	5.000%	2/15/27	425	414
<sup>3</sup> Standard Industries Inc.	4.750%	1/15/28	1,310	1,262
<sup>3</sup> Standard Industries Inc.	4.375%	7/15/30	1,594	1,463
<sup>3</sup> Standard Industries Inc.	3.375%	1/15/31	2,105	1,808
<sup>3</sup> Summit Materials LLC / Summit Materials Finance Corp	7.250%	1/15/31	170	179
<sup>4</sup> Trivium Packaging Finance BV	3.750%	8/15/26	1,000	1,068
<sup>3,4</sup> Trivium Packaging Finance BV	3.750%	8/15/26	480	512
<sup>3</sup> Trivium Packaging Finance BV	5.500%	8/15/26	1,155	1,136
<sup>3</sup> Trivium Packaging Finance BV	8.500%	8/15/27	300	295
<sup>3</sup> Tronox Inc.	4.625%	3/15/29	1,365	1,208



	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
<sup>3</sup> NextEra Energy Operating Partners LP	4.250%	7/15/24	1,093	1,083
<sup>3</sup> NextEra Energy Operating Partners LP	4.250%	9/15/24	103	100
<sup>3</sup> NextEra Energy Operating Partners LP	3.875%	10/15/26	2,030	1,936
<sup>3</sup> NextEra Energy Operating Partners LP	4.500%	9/15/27	650	626
<sup>3</sup> NextEra Energy Operating Partners LP	7.250%	1/15/29	1,035	1,084
<sup>3</sup> Suburban Propane Partners LP / Suburban Energy Finance Corp.	5.000%	6/1/31	415	380
<sup>3</sup> TransAlta Corp.	7.750%	11/15/29	75	80
<sup>3</sup> Vistra				

## Derivative Financial Instruments Outstanding as of Period End

## Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount	(\$000)	
				Value and Unrealized Appreciation (Depreciation)	
<b>Long Futures Contracts</b>					
2-Year U.S. Treasury Note	March 2024	28	5,766	51	
5-Year U.S. Treasury Note	March 2024	29	3,154	40	
10-Year U.S. Treasury Note	March 2024	10	1,129	25	
Ultra 10-Year U.S. Treasury Note	March 2024	21	2,478	88	
Ultra Long U.S. Treasury Bond	March 2024	3	401	23	
					227
<b>Short Futures Contracts</b>					
10-Year U.S. Treasury Note	March 2024	(69)	(7,789)	(279)	
Long U.S. Treasury Bond	March 2024	(1)	(125)	—	
Ultra Long U.S. Treasury Bond	March 2024	(3)	(401)	(39)	
					(318)
					(91)

## Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000)				Unrealized Appreciation (\$000)	Unrealized Depreciation (\$000)
		Receive		Deliver			
Barclays Bank plc	1/31/24	USD	2,214	CAD	2,951	—	(14)
Barclays Bank plc	1/31/24	USD	20,767	EUR	18,944	—	(173)
UBS AG	1/31/24	USD	1,235	EUR	1,126	—	(10)
Barclays Bank plc	1/31/24	USD	1,380	GBP	1,087	—	(6)
						—	(203)

CAD—Canadian dollar.

EUR—euro.

GBP—British pound.

USD—U.S. dollar.

## Centrally Cleared Credit Default Swaps

Reference Entity	Termination Date	Notional Amount (000)	Periodic Premium Received (Paid) <sup>1</sup> (%)	Unrealized Appreciation (Depreciation) (\$000)	
				Value (\$000)	
<b>Credit Protection Sold</b>					
CDX-NA-HY-S41-V2	12/20/28	USD 26,630	5.000	1,598	1,396

<sup>1</sup> Periodic premium received/paid quarterly.

USD—U.S. dollar.

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

## Statement of Assets and Liabilities

As of December 31, 2023

(\$000s, except shares, footnotes, and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$733,158)	721,308
Affiliated Issuers (Cost \$5,202)	5,201
Total Investments in Securities	726,509
Investment in Vanguard	24
Foreign Currency, at Value (Cost \$247)	247
Receivables for Investment Securities Sold	78
Receivables for Accrued Income	10,417
Receivables for Capital Shares Issued	301
Variation Margin Receivable, Futures Contracts	5
<b>Total Assets</b>	<b>737,581</b>
<b>Liabilities</b>	
Due to Custodian	42
Payables for Investment Securities Purchased	893
Payables to Investment Advisor	68
Payables for Capital Shares Redeemed	1,297
Payables to Vanguard	63
Unrealized Depreciation, Forward Currency Contracts	203
Variation Margin Payable, Centrally Cleared Swap Contracts	124
<b>Total Liabilities</b>	<b>2,690</b>
<b>Net Assets</b>	<b>734,891</b>

At December 31, 2023, net assets consisted of:

Paid-in Capital	750,818
Total Distributable Earnings (Loss)	(15,927)
<b>Net Assets</b>	<b>734,891</b>

<b>Net Assets</b>	
Applicable to 99,637,620 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	734,891
<b>Net Asset Value Per Share</b>	<b>\$7.38</b>

# Statement of Operations

Year Ended  
December 31, 2023  
(\$000)

<b>Investment Income</b>	
<b>Income</b>	
Interest <sup>1</sup>	40,589
<b>Total Income</b>	<b>40,589</b>
<b>Expenses</b>	
Investment Advisory Fees—Note B	289
The Vanguard Group—Note C	
Management and Administrative	1,206
Marketing and Distribution	44
Custodian Fees	17
Auditing Fees	33
Shareholders' Reports	36
Trustees' Fees and Expenses	—
Other Expenses	13
<b>Total Expenses</b>	<b>1,638</b>
Expenses Paid Indirectly	(7)
<b>Net Expenses</b>	<b>1,631</b>
<b>Net Investment Income</b>	<b>38,958</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	(16,171)
Futures Contracts	(198)
Swap Contracts	2,141
Forward Currency Contracts	(311)
Foreign Currencies	22
<b>Realized Net Gain (Loss)</b>	<b>(14,517)</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	50,397
Floating Rate Loan Commitments	10
Futures Contracts	(85)
Swap Contracts	689
Forward Currency Contracts	(84)
Foreign Currencies	(6)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>50,921</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>75,362</b>

<sup>1</sup> Interest income, r1 r1Loreignd0,921



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

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

1. Security Valuation: Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Bonds and other 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. Investments in Vanguard Market Liquidity Fund luedh luedth860.1(c)] TJ (bo.1(M)] TJ ((ser-s)f3111 -0 83[(V)54.9.16704 ) Tj 9.0 Td1d772(a)]278

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 year ended December 31, 2023, the portfolio's average investments in long and short futures contracts represented 2% and 1% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the

broker. The clearinghouse imposes initial margin requirements to secure the portfolio's performance, and requires daily settlement of variation margin representing changes in the market value of each contract. To further mitigate counterparty risk, the portfolio trades with a diverse group of prequalified executing brokers; monitors the financial strength of its clearing brokers, executing brokers, and clearinghouse; and has entered into agreements with its clearing brokers and executing brokers.

The primary risk associated with selling credit protection is that, upon the occurrence of a defined credit event, the market value of the debt instrument received by the portfolio (or, in a cash settled swap, the debt instruments used to determine the settlement payment by the portfolio) will be significantly less than the amount paid by the portfolio and, in a physically settled swap, the portfolio may receive an illiquid debt instrument. A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the portfolio. The portfolio's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The portfolio mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the portfolio cannot be repledged, resold, or rehypothecated. In the event of a counterparty's default (including bankruptcy), the portfolio may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the portfolio under the master netting



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 year ended December 31, 2023, the portfolio did not utilize the credit facilities or the Interfund Lending Program.

11. Other: Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs us the m3hed.18r -1.2494 Td [(account ecucresprea(t)) TJ (hsecucrespgai -1.2494 Td)-247)-278.1(c



G. 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 applicable foreign currency transactions, swap agreements, and amortization were reclassified between the individual components of total distributable earnings (loss).

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 capital loss carryforwards; the deferral of losses from wash sales; the recognition of unrealized gains or losses from certain derivative contracts; the recognition of gain or loss from foreign currency hedges; and the treatment (ert)tdj s8 (a) Tj (ih722 -1.24ddjustmomponents17mpon 0 . 1.39004 0 Td unting)-278.1(f)19.9(atem

J. 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.

To the extent the portfolio's investment portfolio reflects concentration in a particular market, industry, sector, country or asset class, the portfolio may be adversely affected by the performance of these concentrations and may be subject to increased price volatility and other risks.

Credit risk is the risk that a counterparty to a transaction or an issuer of a financial instrument will fail to pay interest and principal when due, or that perceptions of the issuer's ability to make such payments will cause the price of an investment to decline. Investment in debt securities will generally increase credit risk.

The use of derivatives may expose the portfolio to various risks. Derivatives can be highly volatile, and any initial investment is generally small relative to the notional amount so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard securities. Leveraged derivatives positions can, therefore, increase volatility. Additional information regarding the portfolio's use of derivative(s)

# Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Variable Insurance Funds and Shareholders of High Yield Bond Portfolio

## ***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of High Yield Bond Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2023, the related statement of operations for the year ended December 31, 2023, the statement of changes in net assets for each of the two years in the period ended December 31, 2023, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2023 (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, 2023, 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, 2023 and the financial highlights for each of the five years in the period ended December 31, 2023 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, 2023 by correspondence with the custodian, transfer agent and brokers; 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 16, 2024

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

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Tax information (unaudited)

The portfolio hereby designates \$1,835,000, or if



"Bloomberg®," Bloomberg U.S. Corporate High Yield Bond Index, Bloomberg U.S. High Yield Ba/B 2% Issuer Capped Index, and Bloomberg U.S. 1–5 Year Treasury Bond Index are service marks of Bloomberg Finance



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The trustees of your mutual fund are there



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