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## Your Portfolio's Performance at a Glance

- Despite some relief in midsummer and late fall, the 12 months ended December 31, 2022, were a volatile, challenging period for financial markets. The Growth Portfolio returned -33.37%, well behind the -29.14% return of its benchmark, the Russell 1000 Growth Index.
- Overall, the economic backdrop deteriorated as inflation soared to multidecade highs, driven by government spending during the pandemic as well as higher energy and food prices in the wake of Russia's invasion of Ukraine. That prompted aggressive tightening by many central banks to bring inflation back in check, which weighed on bond prices and increased fears of recession.
- Returns were negative across all portfolio sectors except energy. Poor selection in information technology, the portfolio's largest sector, detracted most. An underweight allocation to the consumer discretionary sector made it the largest contributor relative to the benchmark.
- For the decade ended December 31, the portfolio's average annual return trailed that of its benchmark by more than 1 percentage point.
- Please note that the portfolio's returns are different from those in Vanguard Variable Annuity (and other plans that invest in the portfolio), which take insurance-related expenses into account.

### Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2022		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	-19.13%	7.35%	9.13%
Russell 2000 Index (Small-caps)	-20.44	3.10	4.13
Russell 3000 Index (Broad U.S. market)	-19.21	7.07	8.79
FTSE All-World ex US Index (International)	-15.49	0.61	1.28
<b>Bonds</b>			
Bloomberg U.S. Aggregate Float Adjusted Index (Broad taxable market)	-13.07%	-2.67%	0.06%
Bloomberg Municipal Bond Index (Broad tax-exempt market)	-8.53	-0.77	1.25
FTSE Three-Month U.S. Treasury Bill Index	1.50	0.70	1.24
<b>CPI</b>			
Consumer Price Index	6.45%	4.92%	3.78%





All of

Communication Services	7.1%
Consumer Discretionary	12.0
Consumer Staples	2.4


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).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (97.2%)</b>					
<b>Communication Services (6.9%)</b>					
* Alphabet Inc. Class C	562,239	49,887	* Illumina Inc.	40,019	8,092
* ZoomInfo Technologies Inc. Class A	316,264	9,523	* Mettler-Toledo International Inc.	3,841	5,552
		<b>59,410</b>	* Align Technology Inc.	20,057	4,230
<b>Consumer Discretionary (11.7%)</b>					<b>122,761</b>
* Amazon.com Inc.	445,401	37,414	<b>Industrials (6.6%)</b>		
TJX Cos. Inc.	164,440	13,089	Equifax Inc.	56,943	11,067
* Lululemon Athletica Inc.	32,476	10,405	TransUnion	190,614	10,817
NIKE Inc. Class B	82,254	9,624	* Uber Technologies Inc.	360,696	8,920
Hilton Worldwide Holdings Inc.	73,953	9,345	Northrop Grumman Corp.	16,247	8,865
* Etsy Inc.	67,771	8,117	General Dynamics Corp.	34,335	8,519
* Airbnb Inc. Class A	93,072	7,958	Airbus SE ADR	187,249	5,554
* Tesla Inc.	32,562	4,011	IDEX Corp.	12,255	2,798
		<b>99,963</b>			<b>56,540</b>
<b>Consumer Staples (2.4%)</b>			<b>Information Technology (44.8%)</b>		
Constellation Brands Inc. Class A	56,287	13,044	Microsoft Corp.	388,550	93,182
* Estee Lauder Cos. Inc. Class A	29,047	7,207	Apple Inc.	630,517	81,923
		<b>20,251</b>	Mastercard Inc. Class A	127,792	44,437
<b>Energy (1.7%)</b>			Global Payments Inc.	139,771	13,882
Schlumberger Ltd.	271,572	14,518	* FleetCor Technologies Inc.	73,402	13,482
			Visa Inc. Class A	61,524	12,782
<b>Financials (6.9%)</b>			NVIDIA Corp.	86,822	12,688
S&P Global Inc.	41,715	13,972	* Salesforce Inc.	87,080	11,546
Charles Schwab Corp.	152,536	12,700	Microchip Technology Inc.	135,637	9,529
American Express Co.	77,118	11,394	* Block Inc. (XNYS)	148,551	9,335
Marsh & McLennan Cos. Inc.	51,036	8,446	* MongoDB Inc. Class A	46,805	9,213
Progressive Corp.	58,559	7,596	* Autodesk Inc.	42,024	7,853
Blackstone Inc.	70,822	5,254	Fidelity National Information Services Inc.	112,138	7,609
		<b>59,362</b>			
<b>Health Care (14.4%)</b>			* 340 Cedar Hill Building, 340 (7504) 5996840520-2j (app.) 195261 in 76712014510. S1078(N) TJ ( Td r0786Inc Td [(		
UnitedHealth Group Inc.	51,163	27,126			
* Boston Scientific Corp.	351,088	16,245			
Zoetis Inc.	83,955	12,304			
Agilent Technologies Inc.	75,852	11,351			
Stryker Corp.	45,167	11,043			
Danaher Corp.	33,948	9,010			
Elevance Health Inc.	17,374	8,912			
* Insulet Corp.	30,217	8,896			



## Statement of Assets and Liabilities

As of December 31, 2022

(\$000s, except shares, footnotes, and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$921,319)	856,188
Affiliated Issuers (Cost \$1)	1
<b>Total Investments in Securities</b>	<b>856,189</b>
Investment in Vanguard	33
Cash	12
Receivables for Accrued Income	221
Receivables for Capital Shares Issued	377
<b>Total Assets</b>	<b>856,832</b>
<b>Liabilities</b>	
Payables to Investment Advisor	164
Payables for Capital Shares Redeemed	1,037
Payables to Vanguard	93
<b>Total Liabilities</b>	<b>1,294</b>
<b>Net Assets</b>	<b>855,538</b>

At December 31, 2022, net assets consisted of:

Paid-in Capital	935,294
Total Distributable Earnings (Loss)	(79,756)
<b>Net Assets</b>	<b>855,538</b>

<b>Net Assets</b>	
Applicable to 47,184,685 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	855,538
<b>Net Asset Value Per Share</b>	<b>\$18.13</b>

# Statement of Operations

Year Ended  
December 31, 2022  
(\$000)

Investment Income	
Income	
Dividends <sup>1</sup>	5,412
Interest	666
Securities Lending—Net	6
Total Income	6,084
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	1,499
Performance Adjustment	(615)
The Vanguard Group—Note C	
Management and Administrative	2,375
Marketing and Distribution	58
Custodian Fees	8
Auditing Fees	30
Shareholders' Reports	16
Trustees' Fees and Expenses	—
Other Expenses	9
Total Expenses	3,380
Expenses Paid Indirectly	(2)
Net Expenses	3,378
Net Investment Income	2,706

For a Share Outstanding

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The Growth 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.

amount owed to the portfolio; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty r

D. The portfolio has asked its investment advisors to direct certain security trades, subject to obtaining the best price and execution, to brokers who have agreed to rebate to the portfolio part of the commissions generated. Such rebates are used solely to reduce the portfolio's management and administrative expenses. For the year ended December 31, 2022, these arrangements reduced the portfolio's expenses by \$2,000 (an annual rate of less than 0.01% of average net assets).

E. 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 Schedule of Investments.

The following table summarizes the market value of the portfolio's investments as of December 31, 2022, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Investments</b>				
<b>Assets</b>				
Common Stocks	831,888	—	—	831,888
Temporary Cash Investments	1	24,300	—	24,301
Total	831,889	24,300	—	856,189

F. Permanent differences between book-basis and tax-basis components of net assets, if any, are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share.

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. The differences are primarily related to the deferral of losses from wash sales. 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	2,319
Undistributed Long-Term Gains	—
Capital Loss Carryforwards	(9,965)
Qualified Late-Year Losses	—
Net Unrealized Gains (Losses)	(72,110)

The tax character of distributions paid was as follows:

	Year Ended December 31,	
	2022 Amount (\$000)	2021 Amount (\$000)
Ordinary Income*	94,486	14,579
Long-Term Capital Gains	244,655	101,938

G. During the year ended December 31, 2022, the portfolio purchased \$327,277,000 of investment securities and sold \$377,268,000 of investment securities, other than temporary cash investments.

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

**Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Growth Portfolio (one of the portfolios constituting Vanguard Variable Insurance Funds, referred to hereafter as the "Portfolio") as of December 31, 2022, the related statement of operations for the year ended December 31, 2022, the statement of changes in net assets for each of the two years in the period ended December 31, 2022, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2022 (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, 2022, 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, 2022 and the financial highlights for each of the five years in the period ended December 31, 2022 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



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Tax information ( na dited)

For corporate shareholders, 100%, or if subsequently determined to be different, the maximum percentage

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 206 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. That information, as well as the Vanguard fund count, is as of the date on the cover of this fund report. 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*, available on our website, [www.vanguardinvestor.com](http://www.vanguardinvestor.com), or by calling Vanguard at 800-662-7447, or by e-mailing [investor@vanguard.com](mailto:investor@vanguard.com).

#### Interested Trustee<sup>1</sup>

##### Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chairman of the board (2019–present) of Vanguard and of each of the investment companies served by Vanguard; chief executive officer (2018–present) of Vanguard; chief executive officer, president, and trustee (2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (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. Member of the board of governors of the Investment Company Institute and the board of governors of FINRA. Trustee and vice chair of The Shipley School.

##### 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). Director of the V Foundation. Member of the advisory council for the College of Arts and Letters at the University of Notre Dame. Chairman of the board of Saint Anselm College.

##### 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. Trustee of the University of Notre Dame.

#### Independent Trustees

##### Tara Bunch

Born in 1962. Trustee since November 2021. Principal occupation(s) during the past five years and other experience: head of global operations at Airbnb (2020–present). Vice president of AppleCare (2012–2020). Member of the board of directors of Out & Equal (2002–2006), the advisory board of the University of California, Berkeley School of Engineering (2020–present), and the advisory board of Santa Clara University's Leavey School of Business (2018–present).

##### 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. Member of the board of directors of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, Roberts Wesleyan College, and the Rochester Philharmonic Orchestra. Trustee of the University of Rochester.



