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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 that of the portfolio's 5% yearly return.

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

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)
<hr/>		
Equity Real Estate Investment Trusts (REITs) (95.3%)		
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Diversified REITs (3.0%)		
WP Carey Inc.	166,017	13,756
STORE Capital Corp.	216,285	5,641
PS Business Parks Inc.	17,967	3,362
Broadstone Net Lease Inc.	142,191	2,916
Essential Properties Realty Trust Inc.	109,619	2,356
American Assets Trust Inc.	44,714	1,328
Global Net Lease Inc.	89,957	1,274
Alexander & Baldwin Inc.	62,797	1,127
Empire State Realty Trust Inc. Class A	124,617	876
iStar Inc.	59,781	820
Armada Hoffer Properties Inc.	59,283	761
Gladstone Commercial Corp.	33,124	624
One Liberty Properties (95.3%)		
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Derivative Financial Instruments Outstanding as of Period End

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)
<hr/> Increase (Decrease) in Net Assets <hr/>		
Operations <hr/>		
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 <hr/>		
Total Distributions	(77,984)	(58,868)
Capital Share Transactions <hr/>		
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 <hr/>		
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.

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

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 Va

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.

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 profit ability 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.

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

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This material may be used in conjunction with the offering of shares of a 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.fdic.gov.

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