Vanguard

Semiannual Report | June 30, 2022

Vanguard Variable Insurance Funds

International Portfolio

Contents

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

International 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	$ 690.10	$1.72
Based on Hypothetical 5% Yearly Return	1,000.00	1,022.76	2.06

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 0.41%. 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).

International Portfolio

Portfolio Allocation
As of June 30, 2022

China	15.7%
United States	10.5
United Kingdom	9.1
Netherlands	8.2
Japan	7.3
France	6.5
Germany	6.4
Switzerland	4.2
Sweden	4.0
Denmark	3.9
Belgium	3.7
Italy	3.6
Taiwan	3.3
Hong Kong	2.9
India	2.0
Canada	1.8
South Korea	1.5
Norway	1.2
Spain	1.0
Other	3.2

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

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)
Common Stocks (96.4%)			
Australia (0.5%)			
	WiseTech Global Ltd.	594,267	15,583
Austria (0.4%)			
	Erste Group Bank AG	467,261	11,874
Belgium (3.6%)			
*	Argenx SE	142,336	53,654
	Umicore SA	1,078,267	37,798
	UCB SA	137,405	11,643
			103,095
Brazil (0.8%)			
	B3 SA - Brasil Bolsa Balcao	4,972,034	10,413
	Raia Drogasil SA	2,625,556	9,632
*,1	NU Holdings Ltd. Class A	566,970	2,120
			22,165
Canada (1.7%)			
	Toronto-Dominion Bank	476,733	31,262
	Canadian National Railway Co.	165,434	18,609
			49,871
China (15.1%)			
	Tencent Holdings Ltd.	2,703,500	122,374
*	Alibaba Group Holding Ltd.	5,393,704	76,943
*,2	Meituan Class B	2,796,922	69,795
*	NIO Inc. ADR	1,935,560	42,040
	Ping An Insurance Group Co. of China Ltd. Class H	4,260,500	29,326
*,2	Wuxi Biologics Cayman Inc.	2,378,000	22,033
*	Baidu Inc. ADR	126,280	18,782
	JD.com Inc. Class A	467,538	15,066
	China Mengniu Dairy Co. Ltd.	2,128,000	10,668
*	Pinduoduo Inc. ADR	135,710	8,387
	Shenzhen Inovance Technology Co. Ltd. Class A	830,921	8,198
*	Full Truck Alliance Co. Ltd. ADR	740,642	6,710
*	Kingdee International Software Group Co. Ltd.	2,172,000	5,117
			435,439
Denmark (3.8%)			
*	Genmab A/S	159,318	51,690
	Vestas Wind Systems A/S	1,882,511	40,026
	Novozymes A/S Class B	146,979	8,846
1	Ambu A/S Class B	860,929	8,412
			108,974
France (6.3%)			
	Kering SA	149,491	77,470
	L'Oreal SA (XPAR)	128,661	44,672
	Schneider Electric SE	209,725	24,990
	Sanofi	157,401	15,873
	Carrefour SA	590,424	10,481
	Legrand SA	97,367	7,229
			180,715
Germany (6.1%)			
*,2	Zalando SE	939,851	24,758
	Sartorius AG Preference Shares	69,113	24,257
	Bayerische Motoren Werke AG	310,027	24,033
*,2	Delivery Hero SE	623,581	23,525
*	HelloFresh SE	648,450	21,156
	Infineon Technologies AG	755,775	18,385
	SAP SE	198,604	18,103
	Siemens AG (Registered)	115,794	11,903
	Knorr-Bremse AG	97,263	5,571
*,1	Jumia Technologies AG ADR	477,446	2,893
*	MorphoSys AG	44,480	875
*,1	Home24 SE	156,566	594
*	CureVac NV	5,619	76
			176,129
Hong Kong (2.8%)			
	AIA Group Ltd.	3,946,000	43,116
	Hong Kong Exchanges & Clearing Ltd.	501,240	24,790
	BOC Hong Kong Holdings Ltd.	2,952,000	11,722
			79,628
India (2.0%)			
	Housing Development Finance Corp. Ltd.	1,000,325	27,676
	HDFC Bank Ltd.	1,072,995	18,379
*,3,4	ANI Technologies Private Ltd. PP (Acquired 12/1/15, Cost $5,969)	19,170	5,495
	Larsen & Toubro Ltd.	252,221	5,000
			56,550
Indonesia (0.4%)			
	Bank Central Asia Tbk PT	21,952,100	10,689
Israel (0.6%)			
*	Wix.com Ltd.	257,526	16,881
Italy (3.4%)			
	Ferrari NV	254,073	46,759
	EXOR NV	456,262	28,512
	Intesa Sanpaolo SpA	8,116,189	15,189
	FinecoBank Banca Fineco SpA	645,193	7,740
			98,200
Japan (7.0%)			
	Nidec Corp.	683,200	42,336
	M3 Inc.	1,453,400	41,836
	SMC Corp.	71,400	31,783
	Sony Group Corp.	251,600	20,520
	Bridgestone Corp.	418,700	15,265
	Recruit Holdings Co. Ltd.	427,200	12,581
	Murata Manufacturing Co. Ltd.	140,700	7,658
	Sekisui Chemical Co. Ltd.	539,800	7,401
	Toyota Motor Corp.	454,800	7,017
	Kubota Corp.	430,800	6,456
	SBI Holdings Inc.	293,000	5,725
	MISUMI Group Inc.	171,200	3,616
			202,194
Netherlands (7.9%)			
	ASML Holding NV	299,982	141,723
*,2	Adyen NV	58,637	84,621
			226,344
Norway (1.1%)			
	Equinor ASA	700,222	24,400
	DNB Bank ASA	423,450	7,666
			32,066
Singapore (0.4%)			
*	Sea Ltd. ADR	152,487	10,195
South Korea (1.4%)			
	Samsung Electronics Co. Ltd.	394,851	17,416
*	Coupang Inc.	936,566	11,941
	Samsung SDI Co. Ltd.	27,240	11,234
			40,591
Spain (1.0%)			
	Iberdrola SA (XMAD)	1,808,625	18,830
	Banco Bilbao Vizcaya Argentaria SA	2,191,026	9,953
			28,783
Sweden (3.8%)			
*	Spotify Technology SA	587,584	55,133
	Atlas Copco AB Class A	2,954,700	27,656
*	Kinnevik AB Class B	940,952	15,231
	Svenska Handelsbanken AB Class A	1,253,023	10,756
	Nibe Industrier AB Class B	121,135	913
			109,689
Switzerland (4.1%)			
	Nestle SA (Registered)	260,968	30,500
	Roche Holding AG	77,632	25,952
	Temenos AG (Registered)	154,447	13,218
	Cie Financiere Richemont SA Class A (Registered)	111,735	12,019
	Lonza Group AG (Registered)	21,487	11,477

		Shares	Market Value• ($000)
	Alcon Inc.	142,924	10,022
	Chocoladefabriken Lindt & Spruengli AG Ptg. Ctf.	859	8,746
	Sika AG (Registered)	23,472	5,418
			117,352
Taiwan (3.2%)			
	Taiwan Semiconductor Manufacturing Co. Ltd.	5,778,000	92,600
United Kingdom (8.8%)			
	Shell plc	1,496,330	38,826
	AstraZeneca plc	250,991	33,111
*,3,4	The Brandtech Group LLC PP (Acquired 9/23/15, Cost $5,200)	3,903,901	31,739
*	Ocado Group plc	2,924,862	27,882
	GlaxoSmithKline plc	854,906	18,425
	Reckitt Benckiser Group plc	244,234	18,369
	HSBC Holdings plc	2,443,716	15,964
	National Grid plc	1,072,551	13,783
	Diageo plc	303,852	13,124
	Bunzl plc	289,349	9,610
	Burberry Group plc	466,020	9,349
	Vodafone Group plc	5,767,786	8,968
	RELX plc	312,759	8,492
	Whitbread plc	184,091	5,582
			253,224
United States (10.2%)			
*	Moderna Inc.	603,425	86,199
*	MercadoLibre Inc.	123,270	78,507
*	Tesla Inc.	87,318	58,802
*	Illumina Inc.	245,863	45,327
*	Booking Holdings Inc.	5,698	9,966
*	Lululemon Athletica Inc.	26,705	7,280
*,1	Oatly Group AB ADR	1,376,931	4,764
*	Meli Kaszek Pioneer Corp. Class A	115,328	1,142
			291,987
Total Common Stocks (Cost $2,790,755)			2,770,818
Temporary Cash Investments (3.8%)			
Money Market Fund (3.8%)			
5,6	Vanguard Market Liquidity Fund, 1.417% (Cost $109,916)	1,099,227	109,890
Total Investments (100.2%) (Cost $2,900,671)			2,880,708
Other Assets and Liabilities—Net (-0.2%)			(5,161)
Net Assets (100%)			2,875,547

Cost is in $000.

- • See Note A in Notes to Financial Statements.
- * Non-income-producing security.
- 1 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $9,431,000.
- 2 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2022, the aggregate value was $224,732,000, representing 7.8% of net assets.
- 3 Restricted securities totaling $37,234,000, representing 1.3% of net assets.
- 4 Security value determined using significant unobservable inputs.
- 5 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
- 6 Collateral of $14,091,000 was received for securities on loan.

ADR—American Depositary Receipt.
PP—Private Placement.
Ptg. Ctf.—Participating Certificates.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount ($000)	Value and Unrealized Appreciation (Depreciation) ($000)
Long Futures Contracts				
MSCI EAFE Index	September 2022	622	57,740	(901)
MSCI Emerging Markets Index	September 2022	529	26,522	(189)
				(1,090)

See accompanying Notes, which are an integral part of the Financial Statements.

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 $2,790,755)	2,770,818
Affiliated Issuers (Cost $109,916)	109,890
Total Investments in Securities	2,880,708
Investment in Vanguard	111
Cash	3,216
Cash Collateral Pledged—Futures Contracts	4,568
Foreign Currency, at Value (Cost $1,119)	1,058
Receivables for Investment Securities Sold	468
Receivables for Accrued Income	6,359
Receivables for Capital Shares Issued	529
Other Assets	48
Total Assets	**2,897,065**
Liabilities	
Payables for Investment Securities Purchased	4,402
Collateral for Securities on Loan	14,091
Payables to Investment Advisor	1,684
Payables for Capital Shares Redeemed	483
Payables to Vanguard	226
Variation Margin Payable—Futures Contracts	413
Deferred Foreign Capital Gains Taxes	219
Total Liabilities	**21,518**
Net Assets	**2,875,547**

1 Includes $9,431 of securities on loan.

At June 30, 2022, net assets consisted of:

Paid-in Capital	2,818,616
Total Distributable Earnings (Loss)	56,931
Net Assets	**2,875,547**

Net Assets	
Applicable to 129,313,951 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	2,875,547
Net Asset Value Per Share	**$22.24**

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

	Six Months Ended June 30, 2022
	($000)
Investment Income	
Income	
Dividends[1]	31,944
Interest[2]	256
Securities Lending—Net	322
Total Income	32,522
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	2,588
Performance Adjustment	1,019
The Vanguard Group—Note C	
Management and Administrative	2,922
Marketing and Distribution	148
Custodian Fees	102
Shareholders' Reports	7
Trustees' Fees and Expenses	1
Other Expenses	7
Total Expenses	6,794
Net Investment Income	**25,728**
Realized Net Gain (Loss)	
Investment Securities Sold[2]	77,409
Futures Contracts	(19,072)
Foreign Currencies	(399)
Realized Net Gain (Loss)	**57,938**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[2,3]	(1,378,076)
Futures Contracts	(2,773)
Foreign Currencies	(349)
Change in Unrealized Appreciation (Depreciation)	**(1,381,198)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**(1,297,532)**

1 Dividends are net of foreign withholding taxes of $3,257,000.

2 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were $252,000, ($23,000), and ($10,000), respectively. Purchases and sales are for temporary cash investment purposes.

3 The change in unrealized appreciation (depreciation) is net of the change in deferred foreign capital gains taxes of ($1,059,000).

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	25,728	39,636
Realized Net Gain (Loss)	57,938	1,457,108
Change in Unrealized Appreciation (Depreciation)	(1,381,198)	(1,517,665)
Net Increase (Decrease) in Net Assets Resulting from Operations	(1,297,532)	(20,921)
Distributions		
Total Distributions	(657,944)	(424,362)
Capital Share Transactions		
Issued	244,897	808,340
Issued in Lieu of Cash Distributions	657,944	424,362
Redeemed	(318,318)	(2,438,174)
Net Increase (Decrease) from Capital Share Transactions	584,523	(1,205,472)
Total Increase (Decrease)	(1,370,953)	(1,650,755)
Net Assets		
Beginning of Period	**4,246,500**	**5,897,255**
End of Period	**2,875,547**	**4,246,500**

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2022	Year Ended December 31, 2021	2020	2019	2018	2017
Net Asset Value, Beginning of Period	**$39.70**	**$43.57**	**$29.00**	**$23.14**	**$27.34**	**$19.54**
Investment Operations						
Net Investment Income[1]	.219	.345	.158	.371	.367	.224
Net Realized and Unrealized Gain (Loss) on Investments	(11.385)	(1.007)	15.535	6.692	(3.644)	7.992
Total from Investment Operations	(11.166)	(.662)	15.693	7.063	(3.277)	8.216
Distributions						
Dividends from Net Investment Income	(.398)	(.123)	(.397)	(.378)	(.212)	(.258)
Distributions from Realized Capital Gains	(5.896)	(3.085)	(.726)	(.825)	(.711)	(.158)
Total Distributions	(6.294)	(3.208)	(1.123)	(1.203)	(.923)	(.416)
Net Asset Value, End of Period	**$22.24**	**$39.70**	**$43.57**	**$29.00**	**$23.14**	**$27.34**
Total Return	**-30.99%**	**-1.54%**	**57.58%**	**31.22%**	**-12.61%**	**42.60%**
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	$2,876	$4,247	$5,897	$4,023	$3,109	$3,198
Ratio of Total Expenses to Average Net Assets[2]	0.41%	0.38%	0.38%	0.38%	0.37%	0.39%
Ratio of Net Investment Income to Average Net Assets	1.54%	0.81%	0.49%	1.43%	1.36%	0.93%
Portfolio Turnover Rate	9%	21%[3]	22%	14%	16%	16%

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

1 Calculated based on average shares outstanding.

2 Includes performance-based investment advisory fee increases (decreases) of 0.06%, 0.04%, 0.04%, 0.04%, 0.03%, and 0.03%.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the portfolio's capital shares.

See accompanying Notes, which are an integral part of the Financial Statements.

Notes to Financial Statements

The International Portfolio, a portfolio of Vanguard Variable Insurance Funds, is registered under the Investment Company Act of 1940 as an open-end investment company. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.The portfolio invests in securities of foreign issuers, which may subject it to investment risks not normally associated with investing in securities of U.S. corporations. 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 affected by events occurring before the portfolio's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the portfolio's pricing time. When fair-value pricing is employed, the prices of securities used by a portfolio to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the portfolio's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Futures Contracts: The portfolio uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The portfolio may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the portfolio and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the portfolio trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the portfolio's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any 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 3% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

4. Federal Income Taxes: The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. 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.

5. 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.

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

7. 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.

8. Other: Dividend income is recorded on the ex-dividend date. Non-cash dividends included in income, if any, are recorded at the fair value of the securities received. 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.

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

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

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

For the six months ended June 30, 2022, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.15% of the portfolio's average net assets, before a net increase of $1,019,000 (0.06%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio corporate management, administrative, marketing, distribution and cash management services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the portfolio based on methods and guidelines approved by the board of trustees 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 $111,000, representing less than 0.01% of the portfolio's net assets and 0.04% of Vanguard's capital received pursuant to the FSA. The portfolio's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the portfolio's investments 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—North and South America	364,023	—	—	364,023
Common Stocks—Other	173,038	2,196,523	37,234	2,406,795
Temporary Cash Investments	109,890	—	—	109,890
Total	646,951	2,196,523	37,234	2,880,708
Derivative Financial Instruments				
Liabilities				
Futures Contracts[1]	1,090	—	—	1,090

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.

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

The following table summarizes changes in investments and derivatives valued based on Level 3 inputs during the six months ended June 30, 2022. Transfers, if any, into or out of Level 3 are recognized based on values as of the beginning of the period.

Amount Valued Based on Level 3 Inputs	Investments in Common Stocks ($000)
Balance as of December 31, 2021	42,682
Change in Unrealized Appreciation (Depreciation)	(5,448)
Balance as of June 30, 2022	37,234

Net change in unrealized appreciation (depreciation) from investments and derivatives still held as of June 30, 2022, was ($5,448,000).

The following table provides quantitative information about the significant unobservable inputs used in fair value measurements as of June 30, 2022.

Security Type	Fair Value at 6/30/2022 ($000)	Valuation Technique	Unobservable Input	Amount or Range/ Weighted Avg.
Common Stocks	31,739	Comparable Companies & Recent Transaction	Reorganized Capitalization Structure/Indicative Offer	$2.843 billion
	5,495	Recent Transaction	Transaction Price	$286.619

Significant increases or decreases in the significant unobservable inputs used in the fair value measurement of the portfolio's Level 3 securities, in isolation, could result in a significantly higher or lower fair value measurement at June 30, 2022.

E. 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	2,901,873
Gross Unrealized Appreciation	542,354
Gross Unrealized Depreciation	(564,609)
Net Unrealized Appreciation (Depreciation)	(22,255)

F. During the six months ended June 30, 2022, the portfolio purchased $305,653,000 of investment securities and sold $330,617,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Six Months Ended June 30, 2022	Year Ended December 31, 2021
	Shares (000)	Shares (000)
Issued	8,523	18,577
Issued in Lieu of Cash Distributions	24,242	10,657
Redeemed	(10,403)	(57,631)
Net Increase (Decrease) in Shares Outstanding	22,362	(28,397)

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 33% 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.

H. 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 Arrangements

The board of trustees of Vanguard Variable Insurance Funds International Portfolio has renewed the portfolio's investment advisory arrangements with Baillie Gifford Overseas Ltd. (Baillie Gifford) and Schroder Investment Management North America Inc. (Schroder Inc.), as well as the sub-advisory agreement with Schroder Investment Management North America Ltd. (Schroder Ltd.). The board determined that renewing the portfolio's advisory arrangements was in the best interests of the portfolio and its shareholders.

The board based its decisions upon an evaluation of each 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 advisors 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 arrangements. Rather, it was the totality of the circumstances that drove the board's decisions.

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 each advisor. The board considered the following:

Baillie Gifford. Baillie Gifford—a unit of Baillie Gifford & Co., founded in 1908—is among the largest independently owned investment management firms in the United Kingdom. Baillie Gifford uses fundamental research to make long-term investments in companies that have above-average growth potential resulting from sustainable competitive advantages, special cultures and management, or competitive strength in underestimated technology shifts. Baillie Gifford believes that equities' asymmetrical return pattern means that alpha is generated by focusing on the upside and the potential to earn exponential returns rather than being overly concerned with avoiding losing investments. The advisor takes a bottom-up, stock-driven approach to sector and country allocation. Baillie Gifford has advised a portion of the portfolio since 2003.

Schroder. Schroders plc, the parent company of Schroder Inc. and Schroder Ltd. (collectively, Schroder), has been in existence for more than 200 years and has investment management experience dating back to 1926. Schroder uses fundamental research to identify quality growth stocks with sustainable competitive advantages selling at attractive valuations. Bottom-up research is conducted within the context of key structural trends shaping the global economy or a given industry that will drive a company's future growth prospects. The Schroder portfolio's holdings are classified as either "core" or "opportunistic." Core holdings generally constitute two-thirds of the Schroder portfolio and tend to be longer-term holdings because of competitive advantages that can support above-average growth rates for an extended period. Opportunistic holdings tend to be shorter-term and more cyclical in nature. Schroder Inc. has advised the portfolio since its inception in 1994, and its affiliate Schroder Ltd. has sub-advised the portfolio since 2003.

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

Investment performance
The board considered the short- and long-term performance of each advisor, including any periods of outperformance or underperformance compared with a relevant benchmark index and peer group. The board concluded that the performance was such that the advisory arrangements 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 fee rate was also below the peer-group average.

The board did not consider the profitability of Baillie Gifford or Schroder in determining whether to approve the advisory fees, because the firms are independent of Vanguard and the advisory fees are the result of arm's-length negotiations.

The benefit of economies of scale
The board concluded that the portfolio realizes economies of scale that are built into the advisory fee rates negotiated with Baillie Gifford and Schroder without any need for asset-level breakpoints. The advisory fee rates are very low relative to the average rate paid by funds in the portfolio's peer group.

The board will consider whether to renew the advisory arrangements 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 International 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.

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You can review information about your fund 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.

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