

Vanguard® Conservative Allocation Portfolio

Investment Approach

Multifund structure composed of three equity index funds and two bond index funds.

Goal of current income and low-to-moderate capital appreciation.

Broadly diversified in both international and U.S. equity and bond markets

Quarterly Commentary

Major stock markets continued to advance in the first quarter of 2024, with a number of indexes reaching record highs. Inflation readings stayed above target in many developed economies, but labor markets remained on a solid footing. In the United States, consumer spending and economic growth also bolstered market sentiment. Given this benign backdrop, a number of major central banks including the U.S. Federal Reserve, the European Central Bank and the Bank of England held policy rates steady.

Global stocks finished the quarter up significantly.

With interest rate cuts looking less imminent, bond yields generally rose and prices declined. The yield of the bellwether 10-year U.S. Treasury note, for example, ended the quarter higher at 4.20%.

By credit quality, Aaa-rated bonds performed better than Baa-rated bonds. By maturity, shorter-term bonds performed better than longer-term bonds.

Corporate bonds, as measured by the Bloomberg U.S. Corporate Bond Index, returned -0.40% for the quarter. Treasuries, as measured by the Bloomberg U.S. Treasury Index, returned -0.96%.

Global bonds, as measured by the Bloomberg Global Aggregate Bond Index, returned -2.08%. Non-U.S. bonds, as measured by the Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), returned 0.09%.

The Standard & Poor's 500 Index of U.S. large-capitalization stocks returned 10.56%. U.S. mid- and small-cap stocks, as measured by the S&P Completion Index, returned 6.96%.

Non-U.S. stocks returned 4.34%, as measured by the FTSE Global All Cap ex US Index. Developed markets returned 8.63%, as measured by the FTSE Developed Index, and emerging markets returned 2.39%, as measured by the FTSE Emerging Index.

For the quarter, the portfolio's benchmark, the Conservative Allocation Composite Index, returned 2.74%. For the 12 months ended March 31, it returned 10.61%.

People and Process

Vanguard Variable Insurance Fund Conservative Allocation Portfolio uses a conservative approach and emphasizes broad diversification to moderate risk in pursuit of reasonable current income, and long-term capital appreciation. The portfolio seeks current income through short-, intermediate-, and long-term U.S. government, agency, and corporate bonds, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposures) and long-term capital appreciation through broadly diversified exposure to the major stock markets in and outside the United States.

Vanguard Equity Index Group

Launched in 1975, The Vanguard Group, Malvern, Pennsylvania, is among the world's largest equity and fixed income managers. As chief investment officer, Gregory Davis, CFA, oversees Vanguard's Equity Index, Investment Strategy, Quantitative Equity, and Fixed Income Groups. Rodney Comegys, Principal and global head of Vanguard's Equity Index Group, is responsible for all equity index funds. The Equity Index Group manages indexed equity portfolios covering U.S. and international markets. It has developed sophisticated portfolio construction methodologies and efficient trading strategies that seek to deliver returns that are highly correlated with target portfolio benchmarks. The group has advised Vanguard Variable Insurance Fund Conservative Allocation Portfolio since 2011.

Investment Manager Biographies

Michael R. Roach, CFA. Portfolio manager. Advised the portfolio since 2023. Worked in investment management since 2000. B.S., Bloomsburg University of Pennsylvania. M.S., Drexel University.

Walter Nejman. Portfolio manager. Advised the portfolio since 2013. Worked in investment management since 2008. B.A., Arcadia University. M.B.A., Villanova University.

Aurelie Denis, CFA. Portfolio manager. Advised the portfolio since 2023. Worked in investment management since 2017. B.S., Pennsylvania State University.

Roger Aliaga-Diaz, Ph.D., Principal. Portfolio manager, Investment Strategy Group. Advised the portfolio since 2023. Worked in investment management since 2010. B.A., Universidad Nacional de Córdoba. Ph.D., North Carolina State University.

Total Returns

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Variable Insurance Fund - Conservative Allocation Portfolio (10/19/2011)	0.13%	2.71%	2.71%	10.29%	1.32%	4.78%	4.93%
Conservative Allocation Composite Index	—	2.74	2.74	10.61	1.61	5.09	5.16

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. 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. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Note: Conservative Allocation Composite Index: Weighted 42% Bloomberg U.S. Aggregate Float Adjusted Index, 24% S&P Total Market Index, 18% Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), and 16% FTSE Global All Cap ex US Index as of April 1, 2017. Weighted 48% Bloomberg U.S. Aggregate Float Adjusted Index, 28% S&P Total Market Index, 12% Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), and 12% FTSE Global All Cap ex US Index through March 31, 2017. Previously, the composite was weighted 60% Bloomberg U.S. Aggregate Float Adjusted Index, 28% S&P Total Market Index, and 12% MSCI ACWI ex USA IMI Index through June 2, 2013.

Fund Facts

Fund Number	0710
CUSIP Number	921925798
Assets (millions)	\$465
Inception	10/19/2011
Acquired Fund Fees and Expenses (as of 4/2023)	0.13%

Volatility Measures

	R-Squared	Beta
Conservative AllocationComposite Ix	1.00	1.01
DJ US Total Stock Mkt Float Adj Idx	0.87	0.53

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.

Fund Asset Allocation

	% of Total Net Assets
Stocks	40.2%
Bonds	59.9
Total	100.0 %

Allocation to Underlying Vanguard Funds

	% of Total Net Assets
Total Bond Market Index Portfolio	41.9%
Vanguard VIF Equity Index Portfolio	20.9
Total International Bond Index Fund	17.9
Total International Stock Index Fund	16.0
Extended Market Index Fund	3.3
Total	100.0%

Important information

For more information about Vanguard funds or Vanguard ETFs, visit [vanguard.com](https://www.vanguard.com) or call 800-523-1036 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.

All investing is subject to risk, including the possible loss of the money you invest.

Please remember that all investments involve some risk. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Diversification does not ensure a profit or protect against a loss. Funds that concentrate on a relatively narrow market sector face the risk of higher share-price volatility.

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized through the fund's trading or through your own redemption of shares. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal Alternative Minimum Tax.

High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings.

The Factor Funds are subject to investment style risk, which is the chance that returns from the types of stocks in which a Factor Fund invests will trail returns from U.S. stock markets. The Factor Funds are also subject to manager risk, which is the chance that poor security selection will cause a Factor Fund to underperform its relevant benchmark or other funds with a similar investment objective, and sector risk, which is the chance that significant problems will affect a particular sector in which a Factor Fund invests, or that returns from that sector will trail returns from the overall stock market.

Investments in derivatives may involve risks different from, and possibly greater than, those of investments in the underlying securities or assets.

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