Vanguard

Annual Report | December 31, 2023

Vanguard Variable Insurance Funds

International Portfolio

See the inside front cover for important information about your fund's annual and semiannual shareholder reports.

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, can be mailed upon request, or can be accessed on the SEC's website at 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.

Contents

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 Portfolio's Performance at a Glance

- The financial markets delivered very robust returns for the 12 months ended December 31, 2023. The International Portfolio returned 14.65%, lagging the 15.62% return of the MSCI All Country World Index ex USA.
- With inflation continuing to ease, a number of 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.
- In the portfolio, the strongest contributors were information technology, communication services, and consumer discretionary stocks, due primarily to stock selection. The detractors were health care and materials, also primarily due to stock selection.
- For the decade ended December 31, 2023, the portfolio posted an annualized return of 6.80%, substantially more than the 3.83% annualized return of its benchmark.
- 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
Stocks			
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
Bonds			
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
CPI			
Consumer Price Index	3.35%	5.60%	4.07%

Advisors' Report

The International Portfolio returned 14.65% for the 12 months ended December 31, 2023. That was lower than the 15.62% return of its benchmark, the MSCI All Country World Index ex USA.

The portfolio is overseen by two independent advisors, a strategy that enhances its diversification by providing exposure to distinct yet complementary investment approaches. It is not uncommon for different advisors to have different views about individual securities or the broader investment environment.

The advisors, the amount and percentage of the portfolio's assets each manages, and brief descriptions of their investment strategies are presented in the accompanying table. Each advisor has also prepared a discussion of the investment environment that existed during the period and of the effect it had on the portfolio's positioning. These reports were prepared on January 6, 2024.

Baillie Gifford Overseas Ltd.

Portfolio Managers:

Thomas Coutts, Partner

Lawrence Burns, Partner

International stock markets have performed well despite the conflicts in Ukraine and the Middle East and acute geopolitical tension between China and the United States. Supply chain disruption is easing and inflation in many countries has fallen back toward a tolerable level without a painful recession. The expected peaking of interest rates is a particular relief for our portfolio of high-growth companies. They suffered a period of sustained pressure on their valuations as discount rates rose and have performed poorly as a result.

We have stuck to a consistent investment philosophy through the ups and downs of recent years. We look for companies that have big opportunities and use strong culture and leadership to convert their potential into profitable growth. We know that superior earnings growth drives long-term returns. These returns are typically skewed toward a small number of companies. We therefore run a concentrated portfolio with low turnover, typically around 10%.

We are paying close attention to the resilience of our holdings in this period of tighter financial conditions. We are encouraged that their balance sheets are far stronger than the market average. Our companies have been adapting to changing circumstances, often putting increased emphasis on current profitability over future expansion. This has been most obvious among our consumer internet businesses, such as Spotify, Ocado, and Zalando. In discussions with their management teams, we have encouraged them to keep a long-term focus and invest for future growth.

The emergence of China has been a dominant factor in international investing over the last 20 years. We have sought to capitalize on it primarily by investing in the country's vibrant technology sector.

We are concerned about the harsh and unpredictable change in the Chinese government's attitude toward its leading tech companies since 2020. Increased competition between China and the United States, particularly through restrictions on access to technology, is a further worry. To moderate this risk, we reduced our exposure to Chinese holdings by a third in the last year, through reductions in Tencent and complete sales of Ping An Insurance and Alibaba. We retain stakes in a handful of China's most attractive growth companies, such as AIA, Pinduoduo, and WuXi Biologics, and we are maintaining an active research presence in China.

It now seems normal to expect shocks that make investing in growth equities uncomfortable. But in an age of transformation, it matters more than ever that investors are exposed to the companies shaping the future. We are particularly optimistic about the potential for substantial growth and profit from three deeply established trends: the wide deployment of computing power and artificial intelligence (AI), the transition of energy sources from fossil fuels to renewables, and the genetic revolution in health care.

Our portfolio has long had considerable exposure to the "picks and shovels" of AI through the semiconductor titans ASML and Taiwan Semiconductor. This year we invested in two additional semiconductor companies, Soitec and VAT Group. In health care we maintain large positions in Moderna and Genmab and have increased our holding in Argenx. Our enthusiasm for the opportunities in energy transition is reflected in holdings such as Tesla, Vestas, and Umicore. To this group we have added new investments in Prysmian and SolarEdge. We funded these additions primarily by reducing large holdings such as ASML and MercadoLibre after they performed strongly.

Schroder Investment Management North America Inc.

Portfolio Managers:

James R. Gautrey, CFA

Simon Webber, CFA

International equities achieved solid gains in 2023, helped by receding recession worries in developed markets as resilient consumer spending supported growth. Major central banks continued to raise interest rates throughout most of the year, seeking to curb inflationary pressures. Cyclical stocks in technology, industrials, financials, and consumer discretionary led the markets higher while defensive stocks in consumer staples and health care generally lagged. Technology stocks were also bolstered by the market's enthusiasm for advances in generative AI.

Japanese stocks reached 33-year highs amid a renewed focus on profitability and productivity, driven by corporate improvement and governance reforms. European stocks also fared well, as warmer weather and structural changes helped alleviate the energy crisis brought on by the Russia-Ukraine conflict.

Emerging markets underperformed developed markets as persistent U.S. dollar strength, China weakness, and reshoring trends weighed on markets. China was a notable laggard as geopolitical tensions, slower-than-expected economic growth, property market oversupply, and government interference in the private sector continued to loom over the market.

Schneider Electric was among our best-performing holdings as the company continued to beat expectations and raised its outlook for organic medium-term sales growth. Schneider is a clear global leader in manufacturing power distribution, energy management, and automation systems. The structural growth trends toward electrification and greater focus on energy efficiency continue to support the group's transformation to a higher-growth, more profitable company.

Our position in Asian insurance company AIA Group detracted during the period amid investor concerns about China's economic environment and potential restrictions on capital flows out of China. Nevertheless, the company's value of new business, a measure of expected profits from new premiums and a gauge of future growth, increased by more than 37% over the prior year, highlighting the strength of the core business, which is underpinned by a high-quality agency salesforce and strong product development.

Equity markets in 2024 face a busy election calendar, tight financial conditions, and a slowing economic cycle. Thus, we expect equity market volatility to increase from the current abnormally low level. Markets have now begun to anticipate interest rate cuts in the middle of the year, and if this transpires it will also likely be important for equity market dynamics, with interest-rate-sensitive sectors finding relief. In global equity markets, valuations continue to favor ex-U.S. markets, particularly the U.K., Japan, and emerging markets.

While short-term volatility may increase, we believe that investors will be well-served by focusing on the longer term, identifying areas with structural underappreciated growth, and remaining prepared to allocate to those companies with a sustained competitive advantage. We believe that the corporate improvement in Japan, recent advances in artificial intelligence, the emergence of GLP-1 drugs, and the clean-energy transition remain themes that are not well understood by the market and will continue to represent major potential sources of alpha.

International Portfolio Investment Advisors

	Portfolio Assets Managed		
Investment Advisor	%	$ Million	Investment Strategy
Baillie Gifford Overseas Ltd.	63	1,895	Uses a bottom-up, stock-driven approach to select stocks that it believes have above-average growth rates and trade at reasonable prices.
Schroder Investment Management North America Inc.	34	1,042	Uses fundamental research to identify high-quality companies in developed and emerging markets that it believes have above-average growth potential.
Cash Investments	3	82	These short-term reserves are invested by Vanguard in equity index products to simulate investment in stocks. Each advisor also may maintain a modest cash position.

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 December 31, 2023

International Portfolio	Beginning Account Value 6/30/2023	Ending Account Value 12/31/2023	Expenses Paid During Period
Based on Actual Portfolio Return	$1,000.00	$1,012.40	$1.57
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.64	1.58

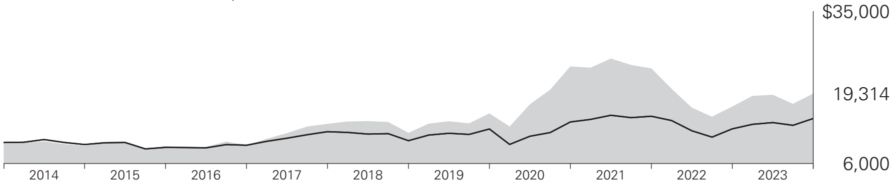
The calculations are based on expenses incurred in the most recent six-month period. The portfolio’s annualized six-month expense ratio for that period is 0.31%. The dollar amounts shown as “Expenses Paid” are equal to the annualized expense ratio multiplied by the average account value over the period, 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 (184/365).

International Portfolio

Performance Summary

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.) 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
International Portfolio	14.65%	10.28%	6.80%	$19,314
MSCI All Country World Index ex USA	15.62	7.08	3.83	14,561

See Financial Highlights for dividend and capital gains information.

Portfolio Allocation

As of December 31, 2023

United States	14.9%
Netherlands	9.3
China	9.0
United Kingdom	8.9
Japan	7.4
France	6.6
Sweden	6.0
Germany	5.7
Denmark	5.1
Switzerland	3.4
Taiwan	3.3
Belgium	3.1
Italy	2.7
Hong Kong	2.4
South Korea	2.3
India	1.9
Brazil	1.7
Canada	1.3
Israel	1.1
Australia	1.0
Other	2.9

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

Financial Statements

Schedule of Investments
As of December 31, 2023

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 (95.5%)		
	Australia (0.9%)		
	WiseTech Global Ltd.	561,705	28,790
	Austria (0.5%)		
	Erste Group Bank AG	342,289	13,864
	Belgium (3.0%)		
*	Argenx SE	155,386	59,104
	Umicore SA	774,424	21,302
	UCB SA	113,324	9,879
			90,285
	Brazil (1.6%)		
*	NU Holdings Ltd. Class A	3,300,182	27,490
	B3 SA - Brasil Bolsa Balcao	3,857,034	11,540
	Raia Drogasil SA	1,535,567	9,296
			48,326
	Canada (1.3%)		
	Toronto-Dominion Bank	242,385	15,662
	Canadian National Railway Co.	101,889	12,807
*	Shopify Inc. Class A (XTSE)	122,038	9,507
			37,976
	China (8.7%)		
	Tencent Holdings Ltd.	1,946,300	73,482
*	PDD Holdings Inc. ADR	414,240	60,607
*,1	Meituan Class B	2,988,592	31,377
*,2	NIO Inc. ADR	2,400,534	21,773
*,1	Wuxi Biologics Cayman Inc.	4,103,500	15,521
	Alibaba Group Holding Ltd.	1,509,916	14,544
*	Baidu Inc. ADR	118,779	14,145
	Shenzhen Inovance Technology Co. Ltd. Class A	1,016,521	9,054
*	Contemporary Amperex Technology Co. Ltd. Class A	281,100	6,471
*	BYD Co. Ltd. Class H	191,000	5,269
*	Full Truck Alliance Co. Ltd. ADR	740,642	5,192
1	Ganfeng Lithium Group Co. Ltd. Class H	1,168,600	4,415
			261,850
	Denmark (5.0%)		
*	Vestas Wind Systems A/S	2,098,556	66,402
*	Genmab A/S	150,844	48,097
*	Novo Nordisk A/S Class B	214,135	22,191
*	Ambu A/S Class B	834,821	13,006
			149,696
	France (6.4%)		
	L'Oreal SA (XPAR)	91,012	45,370
	Kering SA	89,406	39,598
	Schneider Electric SE	172,967	34,819
	Sanofi SA	204,464	20,318
	TotalEnergies SE	194,992	13,259
	EssilorLuxottica SA	58,618	11,771
*	SOITEC	60,821	10,884
	Carrefour SA	486,938	8,918
	Legrand SA	80,302	8,362
			193,299
	Germany (4.3%)		
	SAP SE	188,466	29,009
	Bayerische Motoren Werke AG (XETR)	175,450	19,523
	Infineon Technologies AG	444,483	18,563
*,1	Zalando SE	757,082	17,923
*,1	Delivery Hero SE	598,056	16,460
	Siemens AG (Registered)	83,962	15,752
*	HelloFresh SE	616,033	9,713
*,2	Jumia Technologies AG ADR	477,446	1,685
			128,628
	Hong Kong (2.3%)		
	AIA Group Ltd.	6,214,800	54,087
	Hong Kong Exchanges & Clearing Ltd.	252,560	8,663
	BOC Hong Kong Holdings Ltd.	2,995,500	8,137
			70,887
	India (1.9%)		
	HDFC Bank Ltd.	2,356,715	48,256
	Larsen & Toubro Ltd.	164,419	6,963
*,3,4	ANI Technologies Private Ltd. PP (Acquired 12/1/15, Cost $5,969)	19,170	1,533
			56,752
	Indonesia (0.4%)		
	Bank Central Asia Tbk PT	18,953,300	11,575
	Israel (1.0%)		
*	Wix.com Ltd.	257,526	31,681
	Italy (2.6%)		
	Ferrari NV	157,290	53,102
	FinecoBank Banca Fineco SpA	872,698	13,129
	Prysmian SpA	259,295	11,820
			78,051
	Japan (7.1%)		
	SMC Corp.	56,000	29,956
	Nidec Corp.	637,100	25,680
	Mitsubishi UFJ Financial Group Inc.	2,813,700	24,148
	M3 Inc.	1,417,800	23,397
	Sony Group Corp.	204,700	19,371
	KDDI Corp.	493,200	15,644
	Bridgestone Corp.	340,600	14,067
	Recruit Holdings Co. Ltd.	255,300	10,674
	Terumo Corp.	259,800	8,496
	Kubota Corp.	509,200	7,642
	Murata Manufacturing Co. Ltd.	343,400	7,257
	FUJIFILM Holdings Corp.	110,200	6,604
	SBI Holdings Inc.	293,000	6,576
	Sekisui Chemical Co. Ltd.	439,100	6,316
	Daikin Industries Ltd.	26,500	4,299
	MISUMI Group Inc.	177,100	2,990
	Shimano Inc.	18,600	2,865
			215,982
	Netherlands (9.0%)		
	ASML Holding NV	189,482	143,038
*,1	Adyen NV	63,916	82,512
	EXOR NV	467,496	46,795
			272,345
	Norway (0.7%)		
*,1	AutoStore Holdings Ltd.	5,309,709	10,432
	DNB Bank ASA	476,774	10,137
			20,569
	Singapore (0.4%)		
*	Sea Ltd. ADR	297,966	12,068
	South Korea (2.2%)		
	Samsung Electronics Co. Ltd. (XKRX)	545,771	33,126
*	Coupang Inc.	1,449,769	23,472
	Samsung SDI Co. Ltd. (XKRX)	26,778	9,750
			66,348
	Spain (0.9%)		
	Banco Bilbao Vizcaya Argentaria SA	1,737,486	15,836
	Iberdrola SA (XMAD)	869,735	11,408
			27,244
	Sweden (5.8%)		
*	Spotify Technology SA	473,276	88,933
	Atlas Copco AB Class A	3,762,912	64,839
*	Kinnevik AB Class B	940,952	10,114
	Svenska Handelsbanken AB Class A	821,898	8,932
	Nibe Industrier AB Class B	430,917	3,026
			175,844
	Switzerland (3.3%)		
	Roche Holding AG	81,225	23,611
1	VAT Group AG	40,725	20,454
	Temenos AG (Registered)	137,690	12,831

		Shares	Market Value• ($000)
	Cie Financiere Richemont SA Class A (Registered)	83,025	11,468
	Alcon Inc.	145,043	11,348
	Lonza Group AG (Registered)	23,575	9,939
	Chocoladefabriken Lindt & Spruengli AG Ptg. Ctf.	797	9,567
			99,218
Taiwan (3.2%)			
	Taiwan Semiconductor Manufacturing Co. Ltd. (XTAI)	5,050,000	96,816
United Kingdom (8.6%)			
	Shell plc	1,163,327	38,277
*,3,4	The Brandtech Group LLC PP (Acquired 9/23/15, Cost $5,200)	3,903,901	29,865
*	Ocado Group plc	2,924,862	28,254
*	Wise plc Class A	2,330,587	25,920
	AstraZeneca plc	145,643	19,646
	Rio Tinto plc	239,993	17,851
	Unilever plc (XLON)	358,007	17,331
	Reckitt Benckiser Group plc	201,428	13,899
	RELX plc	348,202	13,815
	GSK plc	604,164	11,158
	Diageo plc	275,461	9,998
	Bunzl plc	238,636	9,697
	National Grid plc	702,602	9,465
	Burberry Group plc	436,558	7,874
	Whitbread plc	151,826	7,069
			260,119
United States (14.4%)			
*	MercadoLibre Inc.	94,614	148,690
*	Moderna Inc.	582,262	57,906
	NVIDIA Corp.	110,057	54,502
*	Tesla Inc.	164,897	40,974
*	Elastic NV	312,362	35,203
*	Illumina Inc.	191,338	26,642
*	Booking Holdings Inc.	4,130	14,650
*	Atlassian Corp. Ltd. Class A	59,697	14,199
*	Mobileye Global Inc. Class A	324,695	14,066
*	Lululemon Athletica Inc.	26,608	13,604
*,2	ARM Holdings plc ADR	128,938	9,689
*	SolarEdge Technologies Inc.	62,456	5,846
			435,971
Total Common Stocks (Cost $2,630,801)			2,884,184
Preferred Stocks (1.3%)			
	Sartorius AG Preference Shares	85,718	31,477
1,2	Dr. Ing Hc F Porsche AG Preference Shares	65,815	5,797
Total Preferred Stocks (Cost $54,925)			37,274
Temporary Cash Investments (3.7%)			
Money Market Fund (3.7%)			
5,6	Vanguard Market Liquidity Fund, 5.435% (Cost $113,268)	1,132,789	113,256
Total Investments (100.5%) (Cost $2,798,994)			3,034,714
Other Assets and Liabilities—Net (-0.5%)			(15,637)
Net Assets (100%)			3,019,077

Cost is in $000.

- • See Note A in Notes to Financial Statements.
- * Non-income-producing security.
- 1 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 December 31, 2023, the aggregate value was $204,891,000, representing 6.8% of net assets.
- 2 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is $17,530,000.
- 3 Restricted securities totaling $31,398,000, representing 1.0% 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 $18,949,000 was received for securities on loan, of which $17,863,000 is held in Vanguard Market Liquidity Fund and $1,086,000 is held in cash.

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)
Long Futures Contracts				
MSCI EAFE Index	March 2024	532	59,914	2,209
MSCI Emerging Markets Index	March 2024	469	24,240	1,025
				3,234

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

Statement of Assets and Liabilities

As of December 31, 2023

($000s, except shares, footnotes, and per-share amounts)	Amount
Assets	
Investments in Securities, at Value[1]	
Unaffiliated Issuers (Cost $2,685,726)	2,921,458
Affiliated Issuers (Cost $113,268)	113,256
Total Investments in Securities	3,034,714
Investment in Vanguard	96
Cash	2,988
Cash Collateral Pledged—Futures Contracts	2,578
Foreign Currency, at Value (Cost $1,714)	1,430
Receivables for Investment Securities Sold	1,110
Receivables for Accrued Income	7,421
Receivables for Capital Shares Issued	2,150
Variation Margin Receivable—Futures Contracts	58
Other Assets	48
Total Assets	**3,052,593**
Liabilities	
Payables for Investment Securities Purchased	3,652
Collateral for Securities on Loan	18,949
Payables to Investment Advisor	805
Payables for Capital Shares Redeemed	7,293
Payables to Vanguard	508
Deferred Foreign Capital Gains Taxes	2,309
Total Liabilities	**33,516**
Net Assets	**3,019,077**

1 Includes $17,530,000 of securities on loan.

At December 31, 2023, net assets consisted of:

Paid-in Capital	2,663,948
Total Distributable Earnings (Loss)	355,129
Net Assets	**3,019,077**

Net Assets	
Applicable to 122,893,515 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**3,019,077**
Net Asset Value Per Share	**$24.57**

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

Statement of Operations

	Year Ended December 31, 2023 ($000)
Investment Income	
Income	
Dividends[1]	41,009
Interest[2]	4,415
Securities Lending—Net	260
Total Income	45,684
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	4,553
Performance Adjustment	(588)
The Vanguard Group—Note C	
Management and Administrative	5,228
Marketing and Distribution	173
Custodian Fees	161
Auditing Fees	42
Shareholders' Reports	21
Trustees' Fees and Expenses	2
Other Expenses	196
Total Expenses	9,788
Net Investment Income	**35,896**
Realized Net Gain (Loss)	
Investment Securities Sold[2]	94,112
Futures Contracts	2,057
Foreign Currencies	72
Realized Net Gain (Loss)	**96,241**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[2,3]	268,731
Futures Contracts	5,149
Foreign Currencies	41
Change in Unrealized Appreciation (Depreciation)	**273,921**
Net Increase (Decrease) in Net Assets Resulting from Operations	**406,058**

1 Dividends are net of foreign withholding taxes of $3,140,000.
2 Interest income, realized net gain (loss), capital gain distributions received, and change in unrealized appreciation (depreciation) from an affiliated company of the portfolio were $4,302,000, ($7,000), $1,000, and ($9,000), 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 $723,000.

Statement of Changes in Net Assets

	Year Ended December 31,	
	2023 ($000)	2022 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	35,896	32,897
Realized Net Gain (Loss)	96,241	104,135
Change in Unrealized Appreciation (Depreciation)	273,921	(1,396,873)
Net Increase (Decrease) in Net Assets Resulting from Operations	406,058	(1,259,841)
Distributions		
Total Distributions	(145,551)	(657,944)
Capital Share Transactions		
Issued	239,518	372,085
Issued in Lieu of Cash Distributions	145,551	657,944
Redeemed	(463,843)	(521,400)
Net Increase (Decrease) from Capital Share Transactions	(78,774)	508,629
Total Increase (Decrease)	181,733	(1,409,156)
Net Assets		
Beginning of Period	**2,837,344**	**4,246,500**
End of Period	**3,019,077**	**2,837,344**

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

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31, 2023	2022	2021	2020	2019
Net Asset Value, Beginning of Period	$22.52	$39.70	$43.57	$29.00	$23.14
Investment Operations					
Net Investment Income[1]	.287	.269	.345	.158	.371
Net Realized and Unrealized Gain (Loss) on Investments	2.937	(11.155)	(1.007)	15.535	6.692
Total from Investment Operations	3.224	(10.886)	(.662)	15.693	7.063
Distributions					
Dividends from Net Investment Income	(.372)	(.398)	(.123)	(.397)	(.378)
Distributions from Realized Capital Gains	(.802)	(5.896)	(3.085)	(.726)	(.825)
Total Distributions	(1.174)	(6.294)	(3.208)	(1.123)	(1.203)
Net Asset Value, End of Period	$24.57	$22.52	$39.70	$43.57	$29.00
Total Return	14.65%	-30.12%	-1.54%	57.58%	31.22%
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$3,019	$2,837	$4,247	$5,897	$4,023
Ratio of Total Expenses to Average Net Assets[2]	0.33%	0.41%	0.38%	0.38%	0.38%
Ratio of Net Investment Income to Average Net Assets	1.21%	1.06%	0.81%	0.49%	1.43%
Portfolio Turnover Rate	15%	17%	21%[3]	22%	14%

1 Calculated based on average shares outstanding.
2 Includes performance-based investment advisory fee increases (decreases) of (0.02%), 0.06%, 0.04%, 0.04%, and 0.04%.
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.

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 by methods deemed by the valuation designee to represent fair value and subject to oversight 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 year ended December 31, 2023, the portfolio's average investments in long and short futures contracts represented 2% 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 virtually 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 $4.3 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 year ended December 31, 2023, 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 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. Amounts related to these reclaims are recorded when there are no significant uncertainties as to the ultimate resolution of proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment. Such tax reclaims and related professional fees, if any, are included in dividend income and other expenses, respectively.

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 year ended December 31, 2023, 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 decrease of $588,000 (0.02%) 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 December 31, 2023, the portfolio had contributed to Vanguard capital in the amount of $96,000, 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 December 31, 2023, 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	501,437	20,836	—	522,273
Common Stocks—Other	259,556	2,070,957	31,398	2,361,911
Preferred Stocks	—	37,274	—	37,274
Temporary Cash Investments	113,256	—	—	113,256
Total	874,249	2,129,067	31,398	3,034,714
Derivative Financial Instruments				
Assets				
Futures Contracts[1]	3,234	—	—	3,234

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 timely analysis and valuation of Level 3 securities held by the portfolio in accordance with established policies and procedures is performed by the valuation designee under the oversight of the board. The valuation designee 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. A summary of valuation decisions made by the valuation designee is reported to the board on a quarterly basis for review. 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 year ended December 31, 2023. 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, 2022	31,572
Change in Unrealized Appreciation (Depreciation)	(174)
Balance as of December 31, 2023	31,398

Net change in unrealized appreciation (depreciation) from investments and derivatives still held as of December 31, 2023, was ($174,000).

The following table provides quantitative information about the significant unobservable inputs used in fair value measurements as of December 31, 2023.

Security Type	Fair Value at 12/31/2023 ($000)	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Common Stocks	29,865	Market Comparables[1]	EV/LTM Revenue Liquidity Discount	1.62-7.08 (4.07) 10%
	1,533	Market Comparables	EV/LTM Revenue Liquidity Discount Index Return	0.82-10.60 (4.76) 10% 2.9%

1 During the period ended December 31, 2023, the valuation technique was changed from a recent transaction multiple to a market comparables approach. This was considered to be a more relevant measure of fair value for this investment.

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 December 31, 2023.

E. 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 and passive foreign investment companies 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 the deferral of losses from wash sales; the recognition of unrealized gains or losses from certain derivative contracts; the recognition of unrealized gains from passive foreign investment companies; and the classification of securities for tax purposes. 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	43,140
Undistributed Long-Term Gains	90,606
Net Unrealized Gains (Losses)	221,383
Capital Loss Carryforwards	—
Qualified Late-Year Losses	—
Other Temporary Differences	—
Total	355,129

The tax character of distributions paid was as follows:

	Year Ended December 31,	
	2023 Amount ($000)	2022 Amount ($000)
Ordinary Income*	46,115	54,088
Long-Term Capital Gains	99,436	603,856
Total	145,551	657,944

* Includes short-term capital gains, if any.

As of December 31, 2023, 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	2,811,040
Gross Unrealized Appreciation	767,774
Gross Unrealized Depreciation	(544,100)
Net Unrealized Appreciation (Depreciation)	223,674

F. During the year ended December 31, 2023, the portfolio purchased $423,946,000 of investment securities and sold $584,877,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2023 Shares (000)	2022 Shares (000)
Issued	10,085	14,219
Issued in Lieu of Cash Distributions	6,306	24,242
Redeemed	(19,480)	(19,430)
Net Increase (Decrease) in Shares Outstanding	(3,089)	19,031

H. 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.

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) and the specific risks associated is described under significant accounting policies.

At December 31, 2023, 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 31% 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.

I. Management has determined that no events or transactions occurred subsequent to December 31, 2023, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of International 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 custodians, 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.

Tax information (unaudited)

The portfolio hereby designates $1,409,000, or if subsequently determined to be different, the maximum amount allowable by law, of interest earned from obligations of the U.S. government which is generally exempt from state income tax.

The portfolio distributed $99,436,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

The portfolio designates to shareholders foreign source income of $44,085,000 and foreign taxes paid of $3,283,000.

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 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 a portion of the portfolio since its inception in 1994, and its affiliate Schroder Ltd. has sub-advised a portion of 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.

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The People Who Govern Your Fund

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 208 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*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

1 Mr. Buckley is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

Executive Officers

Jacqueline Angell
Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (November 2022–present) of Vanguard and of each of the investment companies served by Vanguard. Chief compliance officer (2018–2022) and deputy chief compliance officer (2017–2019) of State Street.

Christine M. Buchanan
Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2021–present) and treasurer (2017–2022) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG (audit, tax, and advisory services).

John Galloway
Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (September 2020–present) of each of the investment companies served by Vanguard. Head of Investor Advocacy (February 2020–present) and head of Marketing Strategy and Planning (2017–2020) at Vanguard. Special assistant to the President of the United States (2015).

Ashley Grim
Born in 1984. Principal occupation(s) during the past five years and other experience: treasurer (February 2022–present) of each of the investment companies served by Vanguard. Fund transfer agent controller (2019–2022) and director of Audit Services (2017–2019) at Vanguard. Senior manager (2015–2017) at PriceWaterhouseCoopers (audit and assurance, consulting, and tax services).

Jodi Miller
Born in 1980. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2022–present) of each of the investment companies served by Vanguard. Head of Enterprise Investment Services (2020–present), head of Retail Client Services and Operations (2020–2022), and head of Retail Strategic Support (2018–2020) at Vanguard.

Anne E. Robinson
Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express. Nonexecutive director (2022–present) of the board of National Grid (energy).

Michael Rollings
Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

Vanguard Senior Management Team

Matthew Benchener	Thomas M. Rampulla
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Gregory Davis	Michael Rollings
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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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