

C o n t e n t s

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€ Despite some relief in midsummer and late fall, the 12 months ended December 31, 2022, were a volatile, challenging period for financial markets. The Conservative Allocation Portfolio returned ...14.90%, in line with its benchmark index, the Conservative Allocation

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. The Conservative Allocation Portfolio has no direct expenses, but bears its proportionate share of the costs for the underlying funds in which it invests. These indirect expenses make up the acquired fund fees and expenses, also expressed as a percentage of average net assets. 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 costs were calculated using the acquired fund fees and expenses for the Conservative Allocation Portfolio.

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. 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 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, 2022

Beginning

Conservative Allocation Portfolio

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

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange

Statement of Assets and Liabilities

As of December 31, 2022

(\$000s, except shares, footnotes, and per-share amounts)	Amount
Assets	
Investments in Securities, at Value, Affiliated Funds (Cost \$478,026)	431,807
Receivables for Capital Shares Issued	39
Total Assets	431,846
Liabilities	
Payables for Investment Securities Purchased	17
Payables for Capital Shares Redeemed	133
Total Liabilities	150
Net Assets	431,696

At December 31, 2022, net assets consisted of:

Paid-in Capital	458,482
Total Distributable Earnings (Loss)	(26,786)
Net Assets	431,696

Net Assets	
Applicable to 18,976,987 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	431,696
Net Asset Value Per Share	\$22.75

Statement of Operations

	Year Ended December 31, 2022
	(\$000)
Investment Income	
Income	
Income Distributions Received from Affiliated Funds	8,847
Net Investment Income—Note B	8,847
Realized Net Gain (Loss)	
Capital Gain Distributions Received from Affiliated Funds	5,724
Affiliated Funds Sold	5,416
Futures Contracts	(8)
Realized Net Gain (Loss)	11,132
Change in Unrealized Appreciation (Depreciation) from Affiliated Funds	(99,783)
Net Increase (Decrease) in Net Assets Resulting from Operations	(79,804)

Statement of Changes in Net Assets

	Year Ended December 31,	
	2022 (\$000)	2021 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	8,847	11,746
Realized Net Gain (Loss)	11,132	21,001
Change in Unrealized Appreciation (Depreciation)	(99,783)	(1,465)
Net Increase (Decrease) in Net Assets Resulting from Operations	(79,804)	31,282
Distributions		
Total Distributions	(32,935)	(26,291)
Capital Share Transactions		
Issued	44,556	80,224
Issued in Lieu of Cash Distributions	32,935	26,291
Redeemed	(81,774)	(84,112)
Net Increase (Decrease) from Capital Share Transactions	(4,283)	22,403
Total Increase (Decrease)	(117,022)	27,394
Net Assets		
Beginning of Period	548,718	521,324
End of Period	431,696	548,718

The Conservative Allocation 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 follows a balanced investment strategy by investing in selected Vanguard funds and portfolios to achieve its targeted allocation of assets to U.S. and international stocks, and U.S. and international bonds. Financial statements and other information about each underlying fund and portfolio are available at www.vanguard.com. The portfolio's shares are only available for purchase by separate accounts of insurance companies as investments for variable annuity plans, variable life insurance contracts, or other variable benefit insurance contracts.

Significant market disruptions, such as those caused by pandemics (e.g. COVID-19), may affect the performance of the portfolio.

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, 2022, the portfolio did not utilize the credit facilities or the Interfund Lending Program.

6. Other: Income and capital gain distributions received are recorded on the ex-dividend date. 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.

B. In accordance with the terms of a Funds Service Agreement (the "FSA") between Vanguard and the portfolio, Vanguard furnishes to the portfolio investment advisory, corporate management, administrative, marketing, and distribution 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. The FSA provides that expenses otherwise allocable to Vanguard funds-of-funds may be reduced or eliminated to the extent of savings realized by the underlying Vanguard funds by virtue of being part of a fund-of-funds. Accordingly, all expenses for services provided by Vanguard to the portfolio and all other expenses incurred by the portfolio during the period ended December 31, 2022, were borne by the underlying Vanguard funds in which the portfolio invests. The portfolio's trustees and officers are also trustees and officers, respectively, of the underlying Vanguard funds, as well as directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the portfolio's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1, Quoted prices in active markets for identical securities.

Level 2, Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3

The tax character of distributions paid was as follows:

	Year Ended December 31,	
	2022 Amount (\$000)	2021 Amount (\$000)
Ordinary Income*	12,798	12,555
Long-Term Capital Gains	20,137	13,736
Total	32,935	26,291

* Includes short-term capital gains, if any.

As of December 31, 2022, gross unrealized appreciation and depreciation for investments based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	478,173
Gross Unrealized Appreciation	11,110
Gross Unrealized Depreciation	(57,476)
Net Unrealized Appreciation (Depreciation)	(46,366)

E. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2022 Shares (000)	2021 Shares (000)
Issued	1,802	2,842
Issued in Lieu of Cash Distributions	1,307	970
Redeemed	(3,321)	(2,981)
Net Increase (Decrease) in Shares Outstanding	(212)	831

At December 31, 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 78% of the portfolio's net assets. If this shareholder were to redeem its investment in the portfolio, the redemption might lead to the realization of taxable capital gains.

F. Transactions during the period in affiliated underlying Vanguard funds were as follows:

Current Period Transactions

Dec. 31, 2021

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For corporate shareholders, 16.7%, or if subsequently determined to be different, the maximum percentage allowable by law, of ordinary income (dividend income plus short-term gains, if any) for the fiscal year qualified for the dividends-received deduction.

The portfolio hereby designates \$1,491,000, 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 \$20,137,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

The portfolio hereby designates 33.8%, or if subsequently determined to be different, the maximum percentage allowable by law, of ordinary income dividends eligible to be treated as interest income for purposes of section 163(j) and the regulations thereunder for the fiscal year.

The portfolio designates to shareholders foreign source income of \$3,336,000 and foreign taxes paid of \$211,000, or if subsequently determined to be different, the maximum amounts allowable by law. Form 1099-DIV reports calendar-year amounts that can be included on the income tax return of shareholders.

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The trustees of your mutual fund are there to see that the fund is operated and managed in your

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