



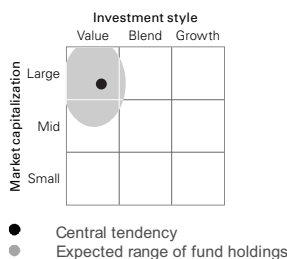
Vanguard® Diversified Value Portfolio

Product Summary

Large- and mid-cap value equity.
Seeks long-term capital appreciation and income growth.
Undervalued stocks with strong fundamentals and price appreciation potential.
Above-average dividend yield.

Vanguard Style View: Large Value

Portfolio of large- and mid-capitalization value stocks.



Quarterly Commentary

U.S. equity markets rose for the quarter ended June 30. After a sharp rally in the prior quarter, the Standard & Poor's 500 Index posted a modest quarterly gain (+4.30%)—setting a record high in the process—as the market shrugged off geopolitical tensions. Despite mixed economic indicators and trade-talk uncertainty that led to a midquarter decline, investors ultimately benefited from the Federal Reserve's continued dovishness and indications of progress in U.S. trade negotiations with China and Mexico. Over the quarter, U.S. Treasuries finished stronger against the yield curve, gold rallied to post its best quarter since 2016, and crude oil fell, with energy the only sector to finish the quarter in the red. In this environment, small-capitalization U.S. stocks, as measured by the Russell 2000 Index (+2.10%), underperformed large-caps for the quarter, as measured by the Russell 1000 Index (+4.25%). The Russell 3000 Growth Index (+4.50%) outpaced the Russell 3000 Value Index (+3.68%).

For the quarter, the Diversified Value Portfolio slightly outperformed its benchmark, the Russell 1000 Value Index (+3.84%). An overweight allocation to materials (+4.0%) and an underweight allocation to real estate (+1.0%) helped results for the quarter. Unfavorable security selection in consumer staples (+2.5%) and financials (+7.7%) dragged on performance. Imperial Brands (–30%), Lowe's (–7%), and State Street (–14%) were among the biggest detractors.

In financials, weak selection in capital markets (+5.3%) and banks (+7.4%) hurt performance. In consumer staples, poor selection and an overweight allocation to tobacco (–9.8%) weighed on results.

On the other side of the ledger, positive selection in information technology (+3.2%) and materials (+4.0%) helped relative returns. Selection in semiconductors & semiconductor equipment most positively affected the sector's performance. QUALCOMM (+35%), Air Products and Chemicals (+19%), and American International Group (+24%) were among the top contributors.

For the 12 months ended June 30, the portfolio lagged its benchmark (+8.46%). Poor security selection in consumer staples (+15.7%) and health care (+19.0%) hurt performance, as did an overweight allocation to energy (–14.0%) and an underweight allocation to utilities (+19.4%). Schlumberger (–38%), Imperial Brands (–32%), and DuPont de Nemours (–18%) were among the biggest detractors.

People and Process

Vanguard® Variable Insurance Fund Diversified Value Portfolio seeks long-term capital appreciation and income growth, with reasonable current income. The portfolio's advisor, Barrow, Hanley, Mewhinney & Strauss, LLC, uses in-depth fundamental research and valuation forecasts to identify large- and mid-capitalization stocks with strong fundamentals and price appreciation potential. The firm typically invests in securities with below-average price/earnings and price/book value ratios and above-average current yield. Earnings forecasts, based on Barrow, Hanley's experience and analysis, drive dividend-discount and relative-return valuation models that are key to security selection.

Barrow, Hanley, Mewhinney & Strauss, LLC

Founded in 1979, Barrow, Hanley, Mewhinney & Strauss, LLC, Dallas, Texas, is known for its commitment to value investing. A subsidiary of Old Mutual Asset Managers (U.S.) LLC, which is a subsidiary of Old Mutual plc, Barrow Hanley remains independently managed, and its professionals retain significant equity ownership. The firm has advised Vanguard Variable Insurance Fund Diversified Value Portfolio since the fund's inception in 1999.

Investment Manager Biographies

Jeff Fahrenbruch, CFA, Managing Director. Portfolio manager. Advised the portfolio since 2013. Worked in investment management since 1997. B.B.A., University of Texas.

David Ganucheau, CFA, Managing Director. Portfolio manager. Advised the portfolio since 2013. Worked in investment management since 1996. B.B.A., Southern Methodist University.

Total Returns

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Variable Insurance Fund - Diversified Value Portfolio (2/8/1999)	3.94%	14.92%	7.22%	8.53%	5.84%	11.79%
Russell 1000 Value Index	3.84	16.24	8.46	10.19	7.46	13.19
Variable Insurance Large-Cap Value Funds Average	3.44	15.60	5.62	10.37	6.61	11.98

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.

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: Average fund returns are derived from data provided by Lipper, a Thomson Reuters Company.

Fund Facts

Fund Number	0278
CUSIP Number	921925871
Assets (millions)	\$961
Inception	2/8/1999
Expense Ratio (as of 4/2019)	0.25%

Equity Characteristics

	VVIF Diversified Value Portfolio	Russell 1000 Value Index
Number of stocks	41	761
Median market cap	\$80.2 Billion	\$56.2 Billion
Average market cap	\$128.7 Billion	\$120.6 Billion
Price/earnings ratio	17.6x	16.6x
Price/book ratio	1.9x	1.9x
Return on equity	13.3%	11.7%
Earnings growth rate	2.8%	5.9%
Equity yield (dividend)	2.5%	2.5%
Foreign holdings	3.9%	0.0%
Short-term reserves	2.7%	—
Turnover rate (fiscal year end)	18.3%	—

Sector Diversification (% of Stocks)

	VVIF Diversified Value Portfolio	Russell 1000 Value Index	Overweight/ Underweight
Communication Services	3.9%	8.0%	-4.1
Consumer Discretionary	7.1	5.9	1.2
Consumer Staples	2.8	8.7	-5.9
Energy	12.0	9.3	2.7
Financials	22.1	23.5	-1.4
Health Care	13.3	12.9	0.4
Industrials	13.1	9.7	3.4
Information Technology	12.0	5.9	6.1
Materials	9.0	4.5	4.5
Other	0.0	0.0	0.0
Real Estate	0.0	5.1	-5.1
Utilities	4.7	6.5	-1.8
Total	100.0%	100.0%	

Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.

Volatility Measures

	R-Squared	Beta
Russell 1000 Value Index	0.94	1.04
DJ US Total Stock Mkt Float Adj Idx	0.87	0.97

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

Top 10 Largest Holdings

	% of Total Net Assets
Oracle Corp.	4.1%
QUALCOMM Inc.	4.1
Air Products & Chemicals Inc.	4.1
Comcast Corp.	3.8
American Express Co.	3.7
American International Group Inc.	3.7
Johnson Controls International plc	3.6
United Technologies Corp.	3.6
Lowe's Cos. Inc.	3.5
Microsoft Corp.	3.4
Total	37.6%

The holdings listed exclude any temporary cash investments and equity index products.

3 month attribution

	Portfolio			Benchmark			Attribution		
	Avg. weight	3 mo. return	Contrib. Return	Avg. weight	3 mo. return	Contrib. Return	Alloc. effect	Select effect	Total effect
Information Technology	11.2	17.5	1.7	9.7	3.2	0.3	-0.1	1.5	1.4
Materials	8.3	7.5	0.7	4.0	4.0	0.2	0.1	0.2	0.2
Real Estate	0.0	0.0	0.0	5.1	1.0	0.1	0.1	0.0	0.1
Energy	11.6	-3.1	-0.3	9.2	-3.6	-0.4	-0.2	0.1	0.0
Industrials	11.6	6.2	0.7	8.0	6.6	0.5	0.1	0.0	0.0
Cash	1.9	0.6	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Communication Services	4.8	4.5	0.2	7.1	6.4	0.4	0.0	-0.1	-0.1
Consumer Discretionary	6.7	1.7	0.2	5.3	3.6	0.2	0.0	-0.1	-0.1
Utilities	4.6	0.3	0.0	6.4	3.4	0.2	0.0	-0.1	-0.1
Financials	21.5	7.0	1.4	22.5	7.7	1.7	-0.1	-0.2	-0.2
Health Care	13.4	1.6	0.2	14.8	2.8	0.4	0.0	-0.1	-0.2
Consumer Staples	4.4	-16.7	-1.0	7.9	2.5	0.2	0.1	-1.0	-1.0
Total	100.0	3.8	3.8	100.0	3.8	3.8	-0.1	0.1	0.0

12 month attribution

	Portfolio			Benchmark			Attribution		
	Avg. weight	12 mo. return	Contrib. Return	Avg. weight	12 mo. return	Contrib. Return	Alloc. effect	Select effect	Total effect
Information Technology	9.9	36.4	3.2	9.6	15.9	1.5	-0.1	1.7	1.7
Materials	6.9	11.6	1.1	4.0	-2.6	0.0	-0.2	0.9	0.7
Consumer Discretionary	7.1	7.6	0.6	5.7	2.9	0.2	-0.1	0.4	0.3
Communication Services	5.0	25.4	1.1	6.6	17.3	1.1	-0.1	0.4	0.2
Financials	19.2	4.3	1.3	22.8	4.9	1.3	0.1	-0.2	-0.1
Real Estate	0.0	0.0	0.0	4.9	10.9	0.6	-0.1	0.0	-0.1
Cash	1.6	2.3	0.0	0.0	0.0	0.0	-0.2	0.0	-0.2
Utilities	3.7	18.0	0.6	6.1	19.4	1.1	-0.2	-0.1	-0.3
Industrials	10.3	5.4	0.6	7.8	10.5	0.8	0.1	-0.5	-0.4
Health Care	17.3	11.1	1.7	15.0	19.0	2.6	0.5	-1.0	-0.5
Energy	12.6	-16.2	-2.2	9.9	-14.0	-1.7	-0.6	-0.3	-0.9
Consumer Staples	6.3	-13.3	-1.0	7.7	15.7	1.1	0.1	-1.8	-1.8
Total	100.0	7.1	7.1	100.0	8.5	8.5	-0.8	-0.6	-1.3

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information. Information noted above does not reflect fair-value adjustments to prices of foreign securities held in the portfolio.

Top contributors—3 month

	3 mo. return	Total effect	Ending weight	Bench weight
QUALCOMM Incorporated	34.6	0.8	4.1	0.0
Air Products and Chemicals Inc.	19.2	0.6	4.1	0.3
American International Group Inc.	24.5	0.5	3.7	0.3
Dollar General Corporation	13.6	0.3	3.3	0.0
American Express Company	13.3	0.3	3.7	0.3

Top detractors—3 month

	3 mo. return	Total effect	Ending weight	Bench weight
DuPont de Nemours Inc.	-5.0	-0.3	2.0	0.4
State Street Corporation	-14.1	-0.3	1.3	0.2
Philip Morris International Inc.	-9.8	-0.3	2.7	0.9
Lowe's Companies Inc.	-7.4	-0.4	3.5	0.0
Imperial Brands PLC	-30.2	-0.6	0.0	0.0

Top contributors—12 month

	12 mo. return	Total effect	Ending weight	Bench weight
Air Products and Chemicals Inc.	49.0	1.2	4.1	0.3
Express Scripts Holding Company	19.6	1.0	0.0	0.0
Dollar General Corporation	38.6	0.9	3.3	0.0
QUALCOMM Incorporated	41.1	0.7	4.1	0.0
Microsoft Corporation	38.1	0.7	3.4	0.0

Top detractors—12 month

	12 mo. return	Total effect	Ending weight	Bench weight
Cigna Corporation	-16.0	-0.6	1.6	0.3
Adient plc	-60.3	-0.7	0.0	0.0
Imperial Brands PLC	-32.0	-0.8	0.0	0.0
DuPont de Nemours Inc.	-21.7	-0.8	2.0	0.4
Schlumberger N.V. (Schlumberger Limited)	-38.0	-1.0	1.8	0.4

Important information

Visit our website, call 866-499-8473, or contact your broker to obtain a product description and prospectus or if available, a summary prospectus for Vanguard ETFTM Shares. Investment objectives, risks, charges, expenses, and other important information are contained in these documents; read and consider them carefully before investing. For more information about Vanguard funds, visit www.vanguard.com, or call 800-523-1036, to obtain a prospectus, or if available, a summary prospectus.

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.

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk.

Factor funds are subject to investment style risk, which is the chance that returns from the types of stocks in which the fund invests will trail returns from the stock market. Factor funds are subject to manager risk, which is the chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

London Stock Exchange Group companies includes FTSE International Limited ("FTSE"), Frank Russell Company ("Russell"), MTS Next Limited ("MTS"), and FTSE TMX Global Debt Capital Markets Inc ("FTSE TMX"). All rights reserved. "FTSE[®]", "Russell[®]", "MTS[®]", "FTSE TMX[®]" and "FTSE Russell" and other service marks and trademarks related to the FTSE or Russell indexes are trade marks of the London Stock Exchange Group companies and are used by FTSE, MTS, FTSE TMX and Russell under licence. All information is provided for information purposes only. No responsibility or liability can be accepted by the London Stock Exchange Group companies nor its licensors for any errors or for any loss from use of this publication. Neither the London Stock Exchange Group companies nor any of their licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index or the fitness or suitability of the index for any particular purpose to which it might be put.

The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For any such funds or securities, the prospectus or the Statement of Additional Information contains a more detailed description of the limited relationship MSCI has with The Vanguard Group and any related funds.

The index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by Vanguard. Standard & Poor's[®] and S&P[®] are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones[®] is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); S&P[®] and S&P 500[®] are trademarks of S&P; and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Vanguard. Vanguard product(s) are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, or their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the index.

The Russell Indexes and Russell[®] are registered trademarks of Russell Investments and have been licensed for use by The Vanguard Group. The products are not sponsored, endorsed, sold or promoted by Russell Investments and Russell Investments makes no representation regarding the advisability of investing in the products.

CFA[®] and Chartered Financial Analyst[®] are registered trademarks owned by CFA Institute.

"Dividend Achievers" is a trademark of The NASDAQ OMX Group, Inc. (collectively, with its affiliates, "NASDAQ OMX") and has been licensed for use by The Vanguard Group, Inc. Vanguard mutual funds are not sponsored, endorsed, sold, or promoted by NASDAQ OMX and NASDAQ OMX makes no representation regarding the advisability of investing in the funds. NASDAQ OMX MAKES NO WARRANTIES AND BEARS NO LIABILITY WITH RESPECT TO THE VANGUARD MUTUAL FUNDS.

BLOOMBERG[®] is a trademark and service mark of Bloomberg Finance L.P. BARCLAYS[®] is a trademark and service mark of Barclays Bank Plc, used under license. Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL") (collectively, "Bloomberg"), or Bloomberg's licensors own all proprietary rights in the Bloomberg Barclays Indices.

The products are not sponsored, endorsed, issued, sold or promoted by "Bloomberg or Barclays". Bloomberg and Barclays make no representation or warranty, express or implied, to the owners or purchasers of the products or any member of the public regarding the advisability of investing in securities generally or in the products particularly or the ability of the Bloomberg Barclays Indices to track general bond market performance. Neither Bloomberg nor Barclays has passed on the legality or suitability of the products with respect to any person or entity. Bloomberg's only relationship to Vanguard and the products are the licensing of the Bloomberg Barclays Indices which are determined, composed and calculated by BISL without regard to Vanguard or the products or any owners or purchasers of the products. Bloomberg has no obligation to take the needs of the products or the owners of the products into consideration in determining, composing or calculating the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays is responsible for and has not participated in the determination of the timing of, prices at, or quantities of the products to be issued. Neither Bloomberg nor Barclays has any obligation or liability in connection with the administration, marketing or trading of the products.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

CGS identifiers have been provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services, LLC, and are not for use or dissemination in a manner that would serve as a substitute for any CUSIP service. The CUSIP Database, © 2019 American Bankers Association. "CUSIP" is a registered trademark of the American Bankers Association.

U.S. government backing of Treasury or agency securities applies only to the underlying securities and does not prevent share-price fluctuations. Unlike stocks and bonds, U.S. Treasury bills are guaranteed as to the timely payment of principal and interest.

Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk.

Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the Fund name refers to the approximate year (the target date) when an investor in the Fund would retire and leave the work force. The Fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in the Target Retirement Fund is not guaranteed at any time, including on or after the target date.

Investment Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

© 2019 The Vanguard Group, Inc. All rights reserved. Managed Payout Fund U.S. Patent Nos. 8,180,695; 8,185,464; and 8,571,963. Vanguard ETFs U.S. Patent Nos. 6,879,964; 7,337,138; 7,720,749; 7,925,573; 8,090,646; 8,417,623; and 8,626,636. Vanguard Marketing Corporation, Distributor.