

**Vanguard®**



**Annual Report** | December 31, 2016

# Vanguard Variable Insurance Fund

Equity Index Portfolio

# Vanguard’s Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard’s research and experience, can put you on the right path.

- Goals.** Create clear, appropriate investment goals.
- Balance.** Develop a suitable asset allocation using broadly diversified funds.
- Cost.** Minimize cost.
- Discipline.** Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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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 fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: No matter what language you speak, Vanguard has one consistent message and set of principles. Our primary *focus* is on you, our clients. We conduct our business with *integrity* as a faithful *steward* of your assets. This message is shown translated into seven languages, reflecting our expanding global presence.

## A Message from Vanguard's Chairman



Dear Planholder,

**Capital markets reacted in 2016 to two significant and unexpected events—the United Kingdom's vote to exit the European Union and the election of Donald Trump as U.S. president. Despite some short-term volatility following both events, the markets' performance for the calendar year proved less dramatic. U.S. stocks posted healthy returns, and U.S. bond results were close to their long-term averages. International stocks and bonds also advanced, although returns for U.S. investors were reduced by the strength of the U.S. dollar.**

The surprises of 2016 remind us to be skeptical of overly precise predictions about 2017. For example, market prognosticators often forecast where the Standard & Poor's 500 Index or the yield of the 10-year U.S. Treasury note will end up in 12 months. Such predictions can be attention-getting. They can also be dead wrong.

Investors are better off taking note of long-term trends that stand to influence our economies and markets. We're watching these trends closely, and we discuss our latest assessment in our 2017 economic and market outlook, which you can read at [vanguard.com/research](http://vanguard.com/research).

### **Expect stabilization, not stagnation**

One phenomenon in particular that we're watching is the low-growth, low-interest-rate environment that has marked the global economy since the 2008–09 financial crisis. We don't think this economic backdrop is simply a result of cyclically weak demand or long-term stagnation. Instead, falling technology costs are restraining businesses' capital investment, an aging population is weighing on growth

in the developed world, and the free movement of capital and products across the globe has restrained prices and wages.

In the near term, these forces will continue to dampen growth, inflation, and interest rates. They also make it unlikely that further monetary stimulus from central banks will do much to spur growth.

I realize this all may sound gloomy, but that's not how we see it. In fact, we believe that global growth could pick up modestly over time. Our expectation is based on a potential rebound in productivity as new digital technologies are used more effectively. We also anticipate a slight recovery in the U.S. labor force as the baby boom generation finishes its transition to retirement, nudging up demand for workers.

The U.S. economy remains firmly on a long-term growth path of about 2% per year. That's lower than the historical average of 3.25% since 1950. But we see such growth at the current level as fundamentally sound rather than abnormally low. Our evaluation takes into account lower U.S. population growth and the reality that the economic expansion that took place from the 1980s until the financial crisis was fueled by debt, distorting the numbers.

Turning to prices, we think that core U.S. inflation should modestly exceed 2% in 2017. That, in turn, will support further interest rate increases by the Federal Reserve, similar to the one it enacted in December. We expect the Fed to raise rates in 2017 before taking an extended pause, and we see the federal funds rate staying below 2% through at least 2018.

Vanguard's outlook for global stocks and bonds remains the most guarded in ten years, given fairly high stock valuations and low interest rates. Our outlook for global equities isn't bearish but rather is fairly positive when you take into account the low-rate environment. And with global bonds, we don't expect yields to increase materially from their year-end 2016 levels.

### **Focus on keys to investment success**

Significant trends often happen gradually. Like shifting tides, they're sometimes barely noticeable at first but ultimately can change the landscape entirely. No matter what the future holds, we believe that investors have the best chance for success if they concentrate on what they can control: their goals, asset allocation, and investment costs, along with the discipline to stick to a plan.

As Tim Buckley, our chief investment officer, likes to say, this can be easy to say but harder to do, especially in times of uncertainty. Investors who can stay focused on these four keys will find themselves well-positioned to weather any market.

As always, thank you for investing with Vanguard.

Sincerely,

F. William McNabb III  
Chairman and Chief Executive Officer  
January 12, 2017

## Market Perspective

### Stocks ended 2016 with a rally, while bonds trimmed earlier gains

After posting modest gains in the first three quarters of 2016, stocks closed the year with a rally following the U.S. presidential election. In contrast, bonds started with notable price gains but reversed course by the fourth quarter, ending with annual returns that were positive, but lower than those compiled over the first nine months.

The broad U.S. stock market, as measured by the Russell 3000 Index, finished the year up 12.74%. The possibility of less government regulation, more fiscal stimulus in the form of infrastructure spending, and tax-law changes under a new administration contributed to stocks' late advance. Also, the economy continued expanding and corporate earnings began to rise as 2016 progressed.

U.S. small-capitalization stocks outperformed their large- and mid-cap counterparts, while value stocks outpaced growth. Among sectors, only health care failed to post gains. Notable contributions came from financial and technology stocks, while energy stocks, helped by rising prices, posted the highest total return.

### U.S. bond prices went up, then fell amid economic optimism

Demand for U.S. bonds dropped sharply and yields rose after the election as the markets anticipated faster growth and higher inflation. The bond market's fourth-quarter slump came as job creation remained solid, wages trended higher, and commodity prices recovered modestly. The Federal Reserve, also expecting the economy to continue performing well,

raised short-term interest rates in December for the first time in a year and only the second time in a decade.

The yield of the bellwether 10-year U.S. Treasury note, which tumbled over the first half of the year from 2.30% to 1.47%, ended December at 2.45%. The broad U.S. bond market returned 2.65%, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index. Investment-grade corporate bonds outperformed Treasuries and mortgage-backed securities.

### For U.S. investors, a strong dollar muted international stock returns

Outside the United States, equity markets recorded modest gains despite unexpected political developments in 2016, most notably the United Kingdom's June vote to leave the European Union. Gains in non-U.S. stock markets were reduced for U.S. investors because many major currencies, especially the British

pound, weakened in relation to the U.S. dollar. The FTSE All-World ex US Index returned 4.80%.

Among non-U.S. sectors, energy and materials performed strongly as they benefited from rising commodity prices. As in the United States, health care stocks globally lost ground.

International bond markets generated positive returns for U.S.-based investors, particularly if the impact of weakening foreign currencies was hedged away. (Currency hedging can have the reverse effect of reducing returns when the dollar weakens.) Continued aggressive stimulus by central banks, including those in Europe and Japan, kept pressure on yields, boosting bond prices. The Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged) returned 4.90%.

### Market Barometer

	Average Annual Total Returns Periods Ended December 31, 2016		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	12.05%	8.59%	14.69%
Russell 2000 Index (Small-caps)	21.31	6.74	14.46
Russell 3000 Index (Broad U.S. market)	12.74	8.43	14.67
FTSE All-World ex US Index (International)	4.80	-1.16	5.52
<b>Bonds</b>			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.65%	3.03%	2.23%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	0.25	4.14	3.28
Citigroup Three-Month U.S. Treasury Bill Index	0.27	0.09	0.08
<b>CPI</b>			
Consumer Price Index	2.07%	1.18%	1.36%

# Vanguard® Equity Index Portfolio

U.S. stocks posted solid returns in 2016 as the economy continued to slowly grow, corporate earnings improved, and investors were optimistic later in the year that President-elect Trump's policies would result in further economic expansion.

For the year ended December 31, 2016, Vanguard Equity Index Portfolio returned 11.81%, in line with its target index, the Standard & Poor's 500 Index, and nearly 2 percentage points higher than the average return of peer funds.

The table below shows the returns of your portfolio and its comparative standards for the year. For additional perspective, we also present their annualized returns for the past ten years.

Please note that the portfolio returns in Vanguard Variable Insurance Fund are different from those in Vanguard Variable Annuity (and other plans that invest in the fund), which take into account insurance-related expenses.

## A wide variety of sectors registered robust returns

The Equity Index Portfolio is composed of 500 of the largest U.S. companies, encompassing about three-quarters of the U.S. stock market's value. Stocks of every style and from every industry sector are represented. Over the year, small-capitalization stocks outpaced mid- and large-caps, and value stocks outperformed their growth counterparts.

Ten of the 11 industry sectors recorded gains, with seven over 10% and three of those over 20%. Information technology stocks, the portfolio's largest sector, climbed about 14% and added most to return. Communications equipment, internet, IT services, semiconductors, software, and hardware stocks all played a role in the sector's strong showing.

Financial stocks also lifted the portfolio as the anticipation of short-term interest rate hikes by the Federal Reserve, the improving economy, and the rising stock market contributed to the sector's overall

strength. Banks, asset managers, consumer finance firms, and insurance companies enjoyed significant returns.

The rebound in oil prices helped the energy sector to returns of more than 27%. Industrials, materials, utilities, and telecommunication services stocks also produced strong results. Returns were more modest for consumer discretionary, consumer staples, and real estate companies.

Health care stocks, the only negative performer, stumbled as observers voiced concerns about rising health care costs and investors mulled the possibility that increased government regulation of prices could dim profits. Biotechnology companies, and to a lesser degree pharmaceuticals, suffered the most.

## Tight tracking prevailed during the previous decade

For the decade ended December 31, 2016, the Equity Index Portfolio recorded an average annual return of 6.84%. This result tightly tracked the portfolio's target index, which has no transaction costs or operating expenses, and exceeded the average annual return of its peers by about 1 percentage point.

First and foremost, the portfolio's objective is to track the index closely, and its success in doing so is a testament to the expertise and experience of the portfolio's advisor, Vanguard Equity Index Group. This group of professionals uses well-honed portfolio construction and trading methodologies that have allowed Vanguard to provide effective index tracking regardless of the market's volatility or direction. The portfolio has also benefited from its low costs, which help close the gap between the index's results and your returns.

### Total Returns

	Year Ended December 31, 2016	Ten Years Ended December 31, 2016 Average Annual Return
Vanguard Equity Index Portfolio	11.81%	6.84%
S&P 500 Index	11.96	6.95
Variable Insurance Large-Cap Core Funds Average <sup>1</sup>	9.91	5.77

The figures shown represent past performance, which is not a guarantee of future results. (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](http://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.

### Expense Ratios

Your Portfolio Compared With Its Peer Group

	Portfolio <sup>2</sup>	Variable Insurance Large-Cap Core Funds Average <sup>3</sup>
Equity Index Portfolio	0.15%	0.40%

<sup>1</sup> Derived from data provided by Lipper, a Thomson Reuters Company.

<sup>2</sup> The portfolio expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2016, the portfolio's expense ratio was 0.15%.

<sup>3</sup> The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2015.

## Portfolio Profile

As of December 31, 2016

### Portfolio Characteristics

	Portfolio	Target Index <sup>1</sup>	Broad Index <sup>2</sup>
Number of Stocks	505	505	3,833
Median Market Cap	\$84.8B	\$84.8B	\$54.1B
Price/Earnings Ratio	23.0x	23.0x	24.4x
Price/Book Ratio	2.9x	2.9x	2.8x
Yield <sup>3</sup>	2.1%	2.1%	2.0%
Return on Equity	17.7%	17.4%	16.5%
Earnings Growth Rate	7.8%	8.1%	8.2%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate	7%	—	—
Expense Ratio <sup>4</sup>	0.15%	—	—
Short-Term Reserves	-0.1%	—	—

### Volatility Measures

	Portfolio Versus Target Index <sup>1</sup>	Portfolio Versus Broad Index <sup>2</sup>
R-Squared	1.00	0.99
Beta	1.00	0.97

### Sector Diversification (% of equity exposure)

	Portfolio	Target Index <sup>1</sup>	Broad Index <sup>2</sup>
Consumer Discretionary	12.0%	12.0%	12.5%
Consumer Staples	9.4	9.4	8.3
Energy	7.6	7.5	7.0
Financials	14.8	14.8	15.4
Health Care	13.6	13.6	13.0
Industrials	10.3	10.3	10.8
Information Technology	20.7	20.8	20.0
Materials	2.8	2.8	3.3
Real Estate	2.9	2.9	4.1
Telecommunication Services	2.7	2.7	2.4
Utilities	3.2	3.2	3.2

### Ten Largest Holdings<sup>5</sup> (% of total net assets)

Apple Inc.	Technology Hardware, Storage & Peripherals	3.2%
Microsoft Corp.	Systems Software	2.5
Alphabet Inc.	Internet Software & Services	2.4
Exxon Mobil Corp.	Integrated Oil & Gas	1.9
Johnson & Johnson	Pharmaceuticals	1.6
Berkshire Hathaway Inc.	Multi-Sector Holdings	1.6
JPMorgan Chase & Co.	Diversified Banks	1.6
Amazon.com Inc.	Internet & Direct Marketing Retail	1.5
General Electric Co.	Industrial Conglomerates	1.4
Facebook Inc.	Internet Software & Services	1.4
Top Ten		19.1%

### Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

**30-Day SEC Yield.** A portfolio's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the portfolio's security holdings in the previous 30 days are used to calculate the portfolio's hypothetical net income for that period, which is then annualized and divided by the portfolio's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds) its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the portfolio's actual experience. As a result, the portfolio's income distributions may be higher or lower than implied by the SEC yield.

**Beta.** A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a portfolio with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the portfolio and the index.

**Equity Exposure.** A measure that reflects a portfolio's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

**R-Squared.** A measure of how much of a portfolio's past returns can be explained by the returns from the market in general, as measured by a given index. If a portfolio's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the portfolio's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the portfolio and the index.

<sup>1</sup> S&P 500 Index.

<sup>2</sup> Dow Jones U.S. Total Stock Market Float Adjusted Index.

<sup>3</sup> 30-day SEC yield for the portfolio; annualized dividend yield for the indexes.

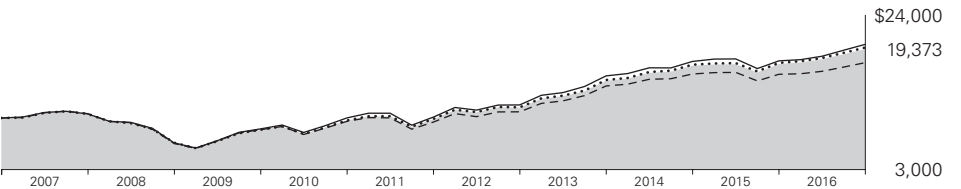
<sup>4</sup> The expense ratio shown is from the prospectus dated April 29, 2016, and represents estimated costs for the current fiscal year. For the fiscal year ended December 31, 2016, the expense ratio was 0.15%.

<sup>5</sup> The holdings listed exclude any temporary cash investments and equity index products.

# Performance Summary

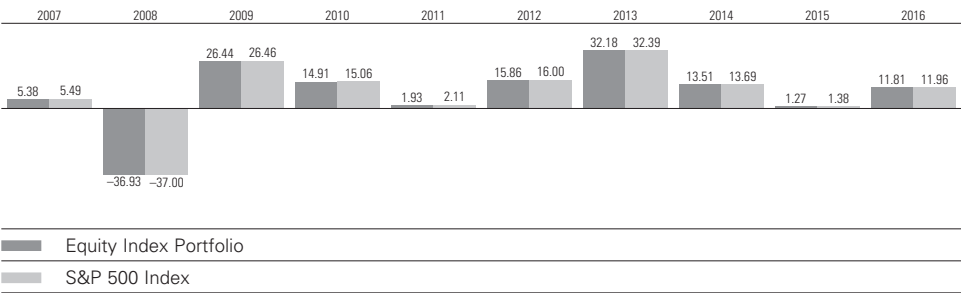
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the portfolio. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](http://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, 2006–December 31, 2016  
Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended December 31, 2016			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
Equity Index Portfolio	11.81 %	14.50%	6.84%	\$19,373
S&P 500 Index	11.96	14.66	6.95	19,572
Variable Insurance Large-Cap Core Funds Average <sup>1</sup>	9.91	13.15	5.77	17,520
Dow Jones U.S. Total Stock Market Float Adjusted Index	12.62	14.59	7.18	20,003

Fiscal Year Total Returns (%): December 31, 2006–December 31, 2016



<sup>1</sup> Derived from data provided by Lipper, a Thomson Reuters Company.  
See Financial Highlights for dividend and capital gains information.



## Financial Statements

### Statement of Net Assets

As of December 31, 2016

The portfolio reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the portfolio's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the portfolio files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the portfolio's Forms N-Q on the SEC's website at [sec.gov](http://sec.gov). Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (99.7%)<sup>1</sup></b>								
<b>Consumer Discretionary (12.0%)</b>								
* Amazon.com Inc.	88,342	66,245	DR Horton Inc.	76,027	2,078	General Mills Inc.	132,714	8,198
Comcast Corp. Class A	533,908	36,866	Interpublic Group of Cos. Inc.	88,667	2,076	Kroger Co.	210,838	7,276
Home Depot Inc.	272,911	36,592	Darden Restaurants Inc.	27,449	1,996	Sysco Corp.	112,308	6,218
Walt Disney Co.	327,935	34,177	Hasbro Inc.	25,190	1,960	Constellation Brands Inc. Class A	39,805	6,103
McDonald's Corp.	186,091	22,651	Kohl's Corp.	39,671	1,959	Archer-Daniels-Midland Co.	129,312	5,903
Starbucks Corp.	326,002	18,100	Lennar Corp. Class A	43,945	1,887	Kellogg Co.	56,618	4,173
Time Warner Inc.	172,751	16,676	Wyndham Worldwide Corp.	24,276	1,854	* Monster Beverage Corp.	90,866	4,029
* Priceline Group Inc.	11,059	16,213	Tiffany & Co.	23,707	1,836	Tyson Foods Inc. Class A	64,832	3,999
NIKE Inc. Class B	299,278	15,212	Hanesbrands Inc.	84,735	1,828	Molson Coors Brewing Co. Class B	41,060	3,996
* Charter Communications Inc. Class A	48,504	13,965	Goodyear Tire & Rubber Co.	57,984	1,790	Estee Lauder Cos. Inc. Class A	49,868	3,814
Lowe's Cos. Inc.	194,901	13,861	BorgWarner Inc.	44,550	1,757	Dr Pepper Snapple Group Inc.	41,242	3,739
* Netflix Inc.	96,141	11,902	Harman International Industries Inc.	15,652	1,740	Conagra Brands Inc.	92,871	3,673
TJX Cos. Inc.	145,925	10,963	PVH Corp.	17,705	1,598	Clorox Co.	28,887	3,467
General Motors Co.	310,727	10,826	* Michael Kors Holdings Ltd.	36,659	1,576	JM Smucker Co.	26,095	3,342
Ford Motor Co.	874,181	10,604	Scripps Networks Interactive Inc. Class A	21,871	1,561	Hershey Co.	31,290	3,236
Target Corp.	125,904	9,094	Wynn Resorts Ltd.	17,555	1,519	Mead Johnson Nutrition Co.	41,181	2,914
Twenty-First Century Fox Inc. Class A	236,371	6,628	Signet Jewelers Ltd.	15,420	1,453	Campbell Soup Co.	43,016	2,601
Marriott International Inc. Class A	71,721	5,930	Leggett & Platt Inc.	29,544	1,444	Church & Dwight Co. Inc.	57,988	2,562
* O'Reilly Automotive Inc.	21,097	5,874	Bed Bath & Beyond Inc.	34,108	1,386	McCormick & Co. Inc.	25,665	2,395
Ross Stores Inc.	88,852	5,829	Staples Inc.	147,351	1,333	Whole Foods Market Inc.	71,340	2,194
CBS Corp. Class B	87,481	5,566	* Discovery Communications Inc.	49,218	1,318	Hormel Foods Corp.	60,520	2,107
* AutoZone Inc.	6,473	5,112	Garmin Ltd.	26,415	1,281	Coty Inc. Class A	104,384	1,911
Yum! Brands Inc.	78,145	4,949	Nordstrom Inc.	26,646	1,277	Brown-Forman Corp. Class B	40,350	1,813
Carnival Corp.	93,525	4,869	News Corp. Class A	110,723	1,269			
Newell Brands Inc.	108,135	4,828	PulteGroup Inc.	66,425	1,221			<b>404,334</b>
Omnicom Group Inc.	52,615	4,478	* ^ Under Armour Inc. Class A	40,567	1,178	<b>Energy (7.5%)</b>		
Dollar General Corp.	56,688	4,199	* TripAdvisor Inc.	25,217	1,169	Exxon Mobil Corp.	928,827	83,836
Delphi Automotive plc	60,719	4,089	Ralph Lauren Corp. Class A	12,932	1,168	Chevron Corp.	422,861	49,771
* Dollar Tree Inc.	52,887	4,082	Gap Inc.	50,209	1,127	Schlumberger Ltd.	311,675	26,165
VF Corp.	73,840	3,939	H&R Block Inc.	46,318	1,065	ConocoPhillips	277,587	13,918
L Brands Inc.	53,489	3,522	TEGNA Inc.	49,632	1,062	EOG Resources Inc.	129,182	13,060
* Ulta Salon Cosmetics & Fragrance Inc.	13,133	3,348	* Under Armour Inc.	40,752	1,026	Occidental Petroleum Corp.	171,245	12,198
Genuine Parts Co.	33,218	3,174	* Discovery Communications Inc. Class A	34,818	954	Halliburton Co.	193,670	10,476
Royal Caribbean Cruises Ltd.	37,392	3,068	* AutoNation Inc.	15,181	739	Kinder Morgan Inc.	430,084	8,907
Whirlpool Corp.	16,815	3,056	* Urban Outfitters Inc.	19,709	561	Anadarko Petroleum Corp.	125,209	8,731
Expedia Inc.	26,917	3,049				Phillips 66	99,240	8,575
Twenty-First Century Fox Inc.	109,157	2,974			<b>519,272</b>	Valero Energy Corp.	101,435	6,930
* Mohawk Industries Inc.	14,148	2,825	<b>Consumer Staples (9.3%)</b>			Pioneer Natural Resources Co.	37,947	6,833
Advance Auto Parts Inc.	16,476	2,786	Procter & Gamble Co.	599,449	50,402	Spectra Energy Corp.	157,133	6,457
* CarMax Inc.	42,687	2,749	Coca-Cola Co.	869,487	36,049	Baker Hughes Inc.	94,785	6,158
Viacom Inc. Class B	77,826	2,732	PepsiCo Inc.	321,300	33,618	Marathon Petroleum Corp.	118,304	5,957
Best Buy Co. Inc.	61,591	2,628	Philip Morris International Inc.	347,500	31,793	Apache Corp.	84,989	5,394
Macy's Inc.	68,223	2,443	Altria Group Inc.	436,875	29,541	Devon Energy Corp.	117,323	5,358
* Chipotle Mexican Grill Inc. Class A	6,436	2,428	Wal-Mart Stores Inc.	337,329	23,316	Williams Cos. Inc.	153,131	4,769
Harley-Davidson Inc.	39,536	2,307	CVS Health Corp.	238,861	18,849	* Concho Resources Inc.	32,618	4,325
Tractor Supply Co.	29,546	2,240	Walgreens Boots Alliance Inc.	191,735	15,868	Hess Corp.	60,043	3,740
Coach Inc.	62,861	2,201	Costco Wholesale Corp.	97,972	15,686	Noble Energy Inc.	95,786	3,646
Foot Locker Inc.	30,378	2,153	Mondelez International Inc. Class A	345,655	15,323	Marathon Oil Corp.	189,783	3,285
* LKQ Corp.	68,918	2,112	Colgate-Palmolive Co.	199,172	13,034	National Oilwell Varco Inc.	84,222	3,153
Mattel Inc.	76,658	2,112	Kraft Heinz Co.	133,620	11,668	Cimarex Energy Co.	21,306	2,895
			Reynolds American Inc.	185,256	10,382	ONEOK Inc.	47,212	2,710
			Kimberly-Clark Corp.	80,112	9,142	EQT Corp.	38,557	2,522
						Cabot Oil & Gas Corp.	104,224	2,435
						Tesoro Corp.	26,263	2,297



## Vanguard Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Helmerich & Payne Inc.	24,328	1,883	Cincinnati Financial Corp.	33,615	2,546	* Hologic Inc.	62,369	2,502
* Newfield Exploration Co.	43,938	1,779	Unum Group	51,923	2,281	* Mettler-Toledo International Inc.	5,858	2,452
* FMC Technologies Inc.	49,910	1,773	XL Group Ltd.	60,843	2,267	* Waters Corp.	18,107	2,433
Range Resources Corp.	41,581	1,429	* E*TRADE Financial Corp.	61,351	2,126	* DaVita Inc.	35,204	2,260
* Transocean Ltd.	86,058	1,269	Arthur J Gallagher & Co.	39,874	2,072	* Centene Corp.	38,303	2,164
* Chesapeake Energy Corp.	171,143	1,201	Zions Bancorporation	45,395	1,954	Universal Health Services Inc. Class B	20,152	2,144
* Southwestern Energy Co.	109,175	1,181	Torchmark Corp.	24,634	1,817	Cooper Cos. Inc.	10,907	1,908
Murphy Oil Corp.	36,637	1,141	* Affiliated Managers Group Inc.	12,308	1,788	* Varian Medical Systems Inc.	20,872	1,874
		<b>326,157</b>	Leucadia National Corp.	74,314	1,728	* Envision Healthcare Corp.	25,993	1,645
<b>Financials (14.8%)</b>			Nasdaq Inc.	25,217	1,693	PerkinElmer Inc.	24,856	1,296
JPMorgan Chase & Co.	801,532	69,164	People's United Financial Inc.	71,626	1,387	* Mallinckrodt plc	23,761	1,184
* Berkshire Hathaway Inc. Class B	393,863	64,192	Assurant Inc.	12,587	1,169	Patterson Cos. Inc.	19,000	780
Wells Fargo & Co.	1,012,460	55,797	Navient Corp.	67,635	1,111	* Endo International plc	43,812	722
Bank of America Corp.	2,263,346	50,020			<b>639,141</b>			<b>588,313</b>
Citigroup Inc.	638,327	37,936	<b>Health Care (13.6%)</b>			<b>Industrials (10.2%)</b>		
Goldman Sachs Group Inc.	82,836	19,835	Johnson & Johnson	609,350	70,203	General Electric Co.	1,981,442	62,614
US Bancorp	357,882	18,384	Pfizer Inc.	1,359,170	44,146	3M Co.	134,737	24,060
American International Group Inc.	218,560	14,274	Merck & Co. Inc.	617,561	36,356	Boeing Co.	128,556	20,014
Chubb Ltd.	104,232	13,771	UnitedHealth Group Inc.	213,200	34,121	Honeywell International Inc.	170,723	19,778
Morgan Stanley	323,016	13,647	Amgen Inc.	166,646	24,365	Union Pacific Corp.	184,666	19,146
MetLife Inc.	246,268	13,271	AbbVie Inc.	364,074	22,798	United Technologies Corp.	171,538	18,804
American Express Co.	172,290	12,763	Medtronic plc	307,547	21,907	United Parcel Service Inc. Class B	154,495	17,711
PNC Financial Services Group Inc.	108,996	12,748	Bristol-Myers Squibb Co.	374,396	21,880	Lockheed Martin Corp.	56,436	14,106
Bank of New York Mellon Corp.	236,868	11,223	Gilead Sciences Inc.	295,138	21,135	Caterpillar Inc.	131,133	12,161
Charles Schwab Corp.	270,261	10,667	* Celgene Corp.	173,680	20,103	General Dynamics Corp.	64,132	11,073
BlackRock Inc.	27,228	10,361	* Allergan plc	84,029	17,647	FedEx Corp.	54,655	10,177
Prudential Financial Inc.	96,365	10,028	Eli Lilly & Co.	217,609	16,005	Raytheon Co.	65,610	9,317
Capital One Financial Corp.	108,028	9,424	* Biogen Inc.	48,678	13,804	Northrop Grumman Corp.	39,487	9,184
CME Group Inc.	75,835	8,748	Abbott Laboratories	329,830	12,669	Illinois Tool Works Inc.	70,810	8,671
BB&T Corp.	181,790	8,548	Thermo Fisher Scientific Inc.	88,539	12,493	Johnson Controls International plc	210,132	8,655
Travelers Cos. Inc.	63,651	7,792	Danaher Corp.	136,392	10,617	Delta Air Lines Inc.	164,932	8,113
Marsh & McLennan Cos. Inc.	115,171	7,784	Aetna Inc.	78,686	9,758	Emerson Electric Co.	144,010	8,029
Intercontinental Exchange Inc.	133,425	7,528	* Express Scripts Holding Co.	138,110	9,501	CSX Corp.	210,249	7,554
Aon plc	58,986	6,579	Anthem Inc.	58,858	8,462	Norfolk Southern Corp.	65,261	7,053
Synchrony Financial	176,039	6,385	Stryker Corp.	69,688	8,349	Southwest Airlines Co.	137,789	6,867
Discover Financial Services	88,343	6,369	Becton Dickinson and Co.	47,447	7,855	Eaton Corp. plc	101,077	6,781
Aflac Inc.	91,464	6,366	Cigna Corp.	57,509	7,671	Deere & Co.	64,791	6,676
State Street Corp.	81,500	6,334	McKesson Corp.	50,674	7,117	Waste Management Inc.	91,135	6,462
S&P Global Inc.	58,045	6,242	Humana Inc.	33,404	6,815	American Airlines Group Inc.	115,608	5,398
Allstate Corp.	82,584	6,121	* Boston Scientific Corp.	305,062	6,598	PACCAR Inc.	78,530	5,018
SunTrust Banks Inc.	109,531	6,008	* Regeneron Pharmaceuticals Inc.	16,933	6,216	Cummins Inc.	34,484	4,713
M&T Bank Corp.	34,859	5,453	* Alexion Pharmaceuticals Inc.	50,303	6,155	* United Continental Holdings Inc.	64,405	4,694
* Berkshire Hathaway Inc. Class A	21	5,127	Zoetis Inc.	110,671	5,924	Ingersoll-Rand plc	57,879	4,343
Progressive Corp.	129,579	4,600	* Intuitive Surgical Inc.	8,652	5,487	Parker-Hannifin Corp.	29,812	4,174
Fifth Third Bancorp	168,614	4,548	Cardinal Health Inc.	71,769	5,165	Roper Technologies Inc.	22,757	4,166
KeyCorp	240,882	4,401	St. Jude Medical Inc.	64,079	5,138	Stanley Black & Decker Inc.	33,827	3,880
Northern Trust Corp.	47,747	4,252	Baxter International Inc.	109,693	4,864	Rockwell Automation Inc.	28,756	3,865
T. Rowe Price Group Inc.	54,339	4,090	* HCA Holdings Inc.	65,680	4,862	Fortive Corp.	67,446	3,617
Citizens Financial Group Inc.	114,215	4,069	Zimmer Biomet Holdings Inc.	44,915	4,635	Equifax Inc.	26,920	3,183
Hartford Financial Services Group Inc.	84,264	4,015	* Edwards Lifesciences Corp.	47,922	4,490	Nielsen Holdings plc	74,845	3,140
Regions Financial Corp.	274,753	3,945	* Illumina Inc.	32,962	4,220	Fastenal Co.	64,468	3,029
Ameriprise Financial Inc.	35,227	3,908	* Vertex Pharmaceuticals Inc.	55,585	4,095	Republic Services Inc. Class A	52,002	2,967
Willis Towers Watson plc	28,931	3,538	* Mylan NV	103,132	3,934	Textron Inc.	60,590	2,942
Moody's Corp.	37,240	3,511	CR Bard Inc.	16,374	3,679	WW Grainger Inc.	12,300	2,857
Principal Financial Group Inc.	59,664	3,452	Agilent Technologies Inc.	72,731	3,314	* Verisk Analytics Inc. Class A	34,772	2,822
Lincoln National Corp.	50,950	3,376	* Cerner Corp.	67,676	3,206	TransDigm Group Inc.	11,238	2,798
Huntington Bancshares Inc.	243,045	3,213	Dentsply Sirona Inc.	52,004	3,002	Rockwell Collins Inc.	28,961	2,686
Franklin Resources Inc.	78,324	3,100	* Laboratory Corp. of America Holdings	23,078	2,963	L-3 Communications Holdings Inc.	17,381	2,644
Loews Corp.	61,927	2,900	AmerisourceBergen Corp. Class A	37,506	2,933	Dover Corp.	34,654	2,597
Invesco Ltd.	91,554	2,778	Quest Diagnostics Inc.	30,980	2,847			
Comerica Inc.	38,428	2,617	* Henry Schein Inc.	18,250	2,769			
			Perrigo Co. plc	32,154	2,676			

## Vanguard Equity Index Portfolio

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
AMETEK Inc.	51,404	2,498	* Fiserv Inc.	48,430	5,147	<b>Real Estate (2.9%)</b>		
Alaska Air Group Inc.	27,614	2,450	* Micron Technology Inc.	231,099	5,066	Simon Property Group Inc.	70,398	12,508
CH Robinson Worldwide Inc.	31,582	2,314	Analog Devices Inc.	69,103	5,018	American Tower Corporation	95,440	10,086
Masco Corp.	73,055	2,310	Amphenol Corp. Class A	69,100	4,644	Public Storage	33,409	7,467
Acuity Brands Inc.	9,878	2,280	Paychex Inc.	72,099	4,389	Crown Castle International Corp.	80,829	7,014
Snap-on Inc.	13,036	2,233	Western Digital Corp.	63,998	4,349	Prologis Inc.	118,421	6,251
Cintas Corp.	19,150	2,213	Lam Research Corp.	36,425	3,851	Equinix Inc.	15,944	5,699
Expeditors International of Washington Inc.	40,058	2,121	Xilinx Inc.	56,576	3,415	AvalonBay Communities Inc.	30,820	5,460
Pentair plc	37,474	2,101	Linear Technology Corp.	53,897	3,360	Welltower Inc.	80,931	5,417
Kansas City Southern	23,857	2,024	Symantec Corp.	139,652	3,336	Equity Residential	81,904	5,271
* United Rentals Inc.	19,058	2,012	* Autodesk Inc.	43,571	3,225	Weyerhaeuser Co.	167,625	5,044
Xylem Inc.	40,248	1,993	Microchip Technology Inc.	48,407	3,105	Ventas Inc.	79,097	4,945
JB Hunt Transport Services Inc.	19,380	1,881	* Citrix Systems Inc.	34,696	3,099	Boston Properties Inc.	34,487	4,338
Fortune Brands Home & Security Inc.	34,633	1,852	Motorola Solutions Inc.	41,487	3,097	Vornado Realty Trust	38,594	4,028
Arconic Inc.	98,259	1,822	Alliance Data Systems Corp.	37,223	3,085	Digital Realty Trust Inc.	35,641	3,502
Fluor Corp.	30,776	1,616	Harris Corp.	12,949	2,959	Essex Property Trust Inc.	14,677	3,412
* Jacobs Engineering Group Inc.	26,872	1,532	* Red Hat Inc.	27,759	2,844	Realty Income Corp.	58,009	3,334
* Stericycle Inc.	19,312	1,488	KLA-Tencor Corp.	40,068	2,793	General Growth Properties Inc.	130,182	3,252
Flowserve Corp.	29,644	1,424	* Akamai Technologies Inc.	35,093	2,761	Host Hotels & Resorts Inc.	165,718	3,122
Robert Half International Inc.	28,739	1,402	Seagate Technology plc	38,652	2,577	HCP Inc.	104,731	3,113
Allegion plc	21,193	1,356	Juniper Networks Inc.	66,050	2,521	Mid-America Apartment Communities Inc.	25,447	2,492
* Quanta Services Inc.	34,894	1,216	Global Payments Inc.	84,671	2,393	SL Green Realty Corp.	22,654	2,436
Dun & Bradstreet Corp.	8,367	1,015	Global Payments Inc.	34,305	2,381	Kimco Realty Corp.	94,922	2,388
Ryder System Inc.	12,283	914	Western Union Co.	107,899	2,344	Federal Realty Investment Trust	16,098	2,288
Pitney Bowes Inc.	43,058	654	CA Inc.	70,247	2,232	UDR Inc.	59,878	2,184
		<b>443,260</b>	NetApp Inc.	61,673	2,175	Extra Space Storage Inc.	28,182	2,177
<b>Information Technology (20.7%)</b>			* F5 Networks Inc.	14,606	2,114	* CBRE Group Inc. Class A	67,316	2,120
Apple Inc.	1,194,359	138,331	Total System Services Inc.	37,148	1,821	Macerich Co.	27,077	1,918
Microsoft Corp.	1,741,544	108,220	Xerox Corp.	188,344	1,644	Iron Mountain Inc.	54,169	1,759
* Facebook Inc. Class A	524,288	60,319	* VeriSign Inc.	20,550	1,563	Apartment Investment & Management Co.	34,633	1,574
* Alphabet Inc. Class A	66,322	52,557	* Qorvo Inc.	28,249	1,490			<b>124,599</b>
* Alphabet Inc.	66,471	51,304	FLIR Systems Inc.	30,363	1,099	<b>Telecommunication Services (2.7%)</b>		
Intel Corp.	1,061,489	38,500	* CSRA Inc.	33,514	1,067	AT&T Inc.	1,375,426	58,497
Cisco Systems Inc.	1,124,343	33,978	* Teradata Corp.	30,008	815	Verizon Communications Inc.	913,108	48,742
Visa Inc. Class A	418,358	32,640	* First Solar Inc.	17,525	562	* Level 3 Communications Inc.	65,365	3,684
International Business Machines Corp.	193,852	32,178			<b>896,231</b>	CenturyLink Inc.	122,474	2,912
Oracle Corp.	671,277	25,811	<b>Materials (2.8%)</b>			^ Frontier Communications Corp.	270,802	915
Mastercard Inc. Class A	213,250	22,018	Dow Chemical Co.	251,248	14,376			<b>114,750</b>
QUALCOMM Inc.	330,863	21,572	El du Pont de Nemours & Co.	194,712	14,292	<b>Utilities (3.2%)</b>		
Texas Instruments Inc.	223,869	16,336	Monsanto Co.	98,180	10,330	NextEra Energy Inc.	104,689	12,506
Accenture plc Class A	138,965	16,277	Praxair Inc.	63,934	7,492	Duke Energy Corp.	154,312	11,978
Broadcom Ltd.	89,024	15,737	Air Products & Chemicals Inc.	48,735	7,009	Southern Co.	219,592	10,802
NVIDIA Corp.	120,806	12,895	Ecolab Inc.	58,775	6,890	Dominion Resources Inc.	140,468	10,758
* Adobe Systems Inc.	111,379	11,466	LyondellBasell Industries NV Class A	74,596	6,399	Exelon Corp.	206,823	7,340
Automatic Data Processing Inc.	101,133	10,394	PPG Industries Inc.	59,146	5,605	American Electric Power Co. Inc.	110,163	6,936
* PayPal Holdings Inc.	251,374	9,922	International Paper Co.	92,106	4,887	PG&E Corp.	112,925	6,862
* salesforce.com Inc.	143,020	9,791	Sherwin-Williams Co.	18,053	4,852	Sempra Energy	56,011	5,637
Hewlett Packard Enterprise Co.	373,140	8,634	Nucor Corp.	71,360	4,247	Edison International	73,013	5,256
Applied Materials Inc.	242,104	7,813	Newmont Mining Corp.	118,181	4,026	PPL Corp.	152,269	5,185
* Cognizant Technology Solutions Corp. Class A	135,944	7,617	Vulcan Materials Co.	29,577	3,702	Consolidated Edison Inc.	68,267	5,030
* Yahoo! Inc.	196,679	7,606	* Freeport-McMoRan Inc.	279,690	3,689	Public Service Enterprise Group Inc.	113,387	4,975
* eBay Inc.	233,274	6,926	Martin Marietta Materials Inc.	14,134	3,131	Xcel Energy Inc.	113,840	4,633
Intuit Inc.	54,459	6,242	Ball Corp.	38,872	2,918	WEC Energy Group Inc.	70,302	4,123
HP Inc.	383,240	5,687	WestRock Co.	56,340	2,860	DTE Energy Co.	40,248	3,965
Fidelity National Information Services Inc.	73,574	5,565	Eastman Chemical Co.	33,006	2,482	Eversource Energy	70,634	3,901
Activision Blizzard Inc.	153,215	5,533	Mosaic Co.	78,543	2,304	FirstEnergy Corp.	95,402	2,955
TE Connectivity Ltd.	79,679	5,520	Albemarle Corp.	25,240	2,173	Entergy Corp.	40,193	2,953
* Electronic Arts Inc.	67,660	5,329	International Flavors & Fragrances Inc.	17,742	2,091	American Water Works Co. Inc.	39,685	2,872
Corning Inc.	213,088	5,172	Sealed Air Corp.	43,496	1,972			
			CF Industries Holdings Inc.	53,465	1,683			
			FMC Corp.	29,594	1,674			
			Avery Dennison Corp.	19,628	1,378			
					<b>122,462</b>			

## Vanguard Equity Index Portfolio

	Shares	Market Value* (\$000)
Ameren Corp.	54,211	2,844
CMS Energy Corp.	62,560	2,604
CenterPoint Energy Inc.	96,489	2,378
SCANA Corp.	32,051	2,349
Pinnacle West Capital Corp.	24,957	1,947
Alliant Energy Corp.	51,053	1,934
AES Corp.	145,770	1,694
NiSource Inc.	72,451	1,604
NRG Energy Inc.	71,474	876
		<b>136,897</b>

**Total Common Stocks**  
(Cost \$3,179,177) **4,315,416**

#### Temporary Cash Investments (0.3%)<sup>1</sup>

<b>Money Market Fund (0.3%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 0.823%	111,566	11,158

Face  
Amount  
(\$000)

#### U.S. Government and Agency Obligations (0.0%)

<sup>4,5</sup> Federal Home Loan Bank Discount Notes, 0.390%, 2/1/17	100	100
<sup>5</sup> United States Treasury Bill, 0.557%, 4/27/17	700	699
<sup>5</sup> United States Treasury Bill, 0.587%, 5/18/17	300	299
<sup>5</sup> United States Treasury Bill, 0.577%–0.607%, 5/25/17	400	399
		<b>1,497</b>

**Total Temporary Cash Investments**  
(Cost \$12,655) **12,655**

**Total Investments (100.0%)**  
(Cost \$3,191,832) **4,328,071**

Amount  
(\$000)

#### Other Assets and Liabilities (0.0%)

<b>Other Assets</b>	
Investment in Vanguard	319
Receivables for Investment Securities Sold	67
Receivables for Accrued Income	5,503
Receivables for Capital Shares Issued	2,239
Other Assets	7
<b>Total Other Assets</b>	<b>8,135</b>

#### Liabilities

Payables for Investment Securities Purchased	(29)
Collateral for Securities on Loan	(452)
Payables for Capital Shares Redeemed	(2,868)
Payables to Vanguard	(3,450)
Other Liabilities	(76)
<b>Total Liabilities</b>	<b>(6,875)</b>

**Net Assets (100%)**

Applicable to 121,503,479 outstanding  
\$0.01 par value shares of beneficial  
interest (unlimited authorization) **4,329,331**

**Net Asset Value Per Share** **\$35.63**

#### At December 31, 2016, net assets consisted of:

	Amount (\$000)
Paid-in Capital	2,965,741
Undistributed Net Investment Income	81,911
Accumulated Net Realized Gains	145,558
Unrealized Appreciation (Depreciation)	
Investment Securities	1,136,239
Futures Contracts	(118)
<b>Net Assets</b>	<b>4,329,331</b>

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

<sup>^</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$413,000.

<sup>1</sup> The portfolio invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the portfolio's effective common stock and temporary cash investment positions represent 100.0% and 0.0%, respectively, of net assets.

<sup>2</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

<sup>3</sup> Includes \$452,000 of collateral received for securities on loan.

<sup>4</sup> The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

<sup>5</sup> Securities with a value of \$768,000 have been segregated as initial margin for open futures contracts.

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

## Statement of Operations

	Year Ended December 31, 2016
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	91,541
Interest <sup>1</sup>	95
Securities Lending—Net	154
Total Income	91,790
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	607
Management and Administrative	4,601
Marketing and Distribution	822
Custodian Fees	70
Auditing Fees	35
Shareholders' Reports	27
Trustees' Fees and Expenses	2
Total Expenses	6,164
<b>Net Investment Income</b>	<b>85,626</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	141,576
Futures Contracts	4,132
<b>Realized Net Gain (Loss)</b>	<b>145,708</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities	236,319
Futures Contracts	(130)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>236,189</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>467,523</b>

<sup>1</sup> Interest income and realized net gain (loss) from an affiliated company of the portfolio were \$88,000 and \$1,000, respectively.

## Statement of Changes in Net Assets

	Year Ended December 31,	
	2016	2015
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	85,626	91,367
Realized Net Gain (Loss)	145,708	74,917
Change in Unrealized Appreciation (Depreciation)	236,189	(119,916)
Net Increase (Decrease) in Net Assets Resulting from Operations	467,523	46,368
<b>Distributions</b>		
Net Investment Income	(91,047)	(63,303)
Realized Capital Gain <sup>1</sup>	(74,373)	(115,925)
Total Distributions	(165,420)	(179,228)
<b>Capital Share Transactions</b>		
Issued	466,783	608,805
Issued in Lieu of Cash Distributions	165,420	179,228
Redeemed	(589,792)	(454,226)
Net Increase (Decrease) from Capital Share Transactions	42,411	333,807
Total Increase (Decrease)	344,514	200,947
<b>Net Assets</b>		
Beginning of Period	3,984,817	3,783,870
End of Period <sup>2</sup>	4,329,331	3,984,817

<sup>1</sup> Includes fiscal 2016 and 2015 short-term gain distributions totaling \$600,000 and \$2,114,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

<sup>2</sup> Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$81,911,000 and \$87,332,000.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended December 31,				
	2016	2015	2014	2013	2012
<b>Net Asset Value, Beginning of Period</b>	<b>\$33.25</b>	<b>\$34.44</b>	<b>\$31.50</b>	<b>\$24.93</b>	<b>\$22.85</b>
<b>Investment Operations</b>					
Net Investment Income	.704	.759 <sup>1</sup>	.587	.545	.512
Net Realized and Unrealized Gain (Loss) on Investments	3.055	(.338)	3.522	7.235	3.062
Total from Investment Operations	3.759	.421	4.109	7.780	3.574
<b>Distributions</b>					
Dividends from Net Investment Income	(.759)	(.569)	(.555)	(.505)	(.474)
Distributions from Realized Capital Gains	(.620)	(1.042)	(.614)	(.705)	(1.020)
Total Distributions	(1.379)	(1.611)	(1.169)	(1.210)	(1.494)
<b>Net Asset Value, End of Period</b>	<b>\$35.63</b>	<b>\$33.25</b>	<b>\$34.44</b>	<b>\$31.50</b>	<b>\$24.93</b>
<b>Total Return</b>	<b>11.81%</b>	<b>1.27%</b>	<b>13.51%</b>	<b>32.18%</b>	<b>15.86%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$4,329	\$3,985	\$3,784	\$3,199	\$2,418
Ratio of Total Expenses to Average Net Assets	0.15%	0.15%	0.16%	0.16%	0.17%
Ratio of Net Investment Income to Average Net Assets	2.08%	2.31% <sup>1</sup>	1.88%	1.96%	2.13%
Portfolio Turnover Rate	7%	4%	7%	8%	9%

<sup>1</sup> Net investment income per share and the ratio of net investment income to average net assets include \$.13 and 0.35%, respectively, resulting from a special dividend from Medtronic plc in January 2015.

## Notes to Financial Statements

Vanguard Equity Index 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 materially 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 board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. **Futures Contracts:** The portfolio uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, enhancing returns, maintaining liquidity, and minimizing transaction costs. The portfolio may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The portfolio may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. 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.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets 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 futures gains (losses).

During the year ended December 31, 2016, the portfolio's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. **Federal Income Taxes:** The portfolio intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the portfolio's tax positions taken for all open federal income tax years (December 31, 2013–2016), and has concluded that no provision for federal income tax is required in the portfolio's financial statements.

4. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date.

5. **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 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 absence 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 Net Assets for the return of the collateral, during the period the securities are on loan. 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.

6. Credit Facility: The portfolio and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the portfolio's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees 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 this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The portfolio had no borrowings outstanding at December 31, 2016, or at any time during the period then ended.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. 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. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the portfolio's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the portfolio may invest up to 0.40% of its net assets as capital in Vanguard. At December 31, 2016, the portfolio had contributed to Vanguard capital in the amount of \$319,000, representing 0.01% of the portfolio's net assets and 0.13% of Vanguard's capitalization. The portfolio's trustees and officers are also 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**—Significant unobservable inputs (including the portfolio's own assumptions used to determine the fair value of investments).

The following table summarizes the market value of the portfolio's investments as of December 31, 2016, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	4,315,416	—	—
Temporary Cash Investments	11,158	1,497	—
Futures Contracts—Liabilities <sup>1</sup>	(75)	—	—
Total	4,326,499	1,497	—

<sup>1</sup> Represents variation margin on the last day of the reporting period.

D. At December 31, 2016, the aggregate settlement value of open futures contracts and the related unrealized appreciation (depreciation) were:

			(\$000)	
Futures Contracts	Expiration	Number of Long (Short) Contracts	Aggregate Settlement Value	Unrealized Appreciation
			Long (Short)	(Depreciation)
E-mini S&P 500 Index	March 2017	130	14,535	(118)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For tax purposes, at December 31, 2016, the portfolio had \$88,211,000 of ordinary income and \$142,267,000 of long-term capital gains available for distribution.

At December 31, 2016, the cost of investment securities for tax purposes was \$3,191,832,000. Net unrealized appreciation of investment securities for tax purposes was \$1,136,239,000, consisting of unrealized gains of \$1,319,983,000 on securities that had risen in value since their purchase and \$183,744,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the year ended December 31, 2016, the portfolio purchased \$285,739,000 of investment securities and sold \$326,505,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Year Ended December 31,	
	2016 Shares (000)	2015 Shares (000)
Issued	14,135	18,193
Issued in Lieu of Cash Distributions	5,208	5,441
Redeemed	(17,679)	(13,658)
Net Increase (Decrease) in Shares Outstanding	1,664	9,976

At December 31, 2016, three shareholders (including an insurance company separate account whose holdings in the portfolio represent the indirect investment of Vanguard Variable Annuity contract holders and Vanguard Total Stock Market Index Portfolio) were each a record or beneficial owner of 30% or more of the portfolio's net assets, with a combined ownership of 95%. If one of these shareholders were to redeem its investment in the portfolio, the redemption might result in an increase in the portfolio's expense ratio or cause the portfolio to incur higher transaction costs.

H. Management has determined that no material events or transactions occurred subsequent to December 31, 2016, 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 the Shareholders of Equity Index Portfolio:

In our opinion, the accompanying statement of net assets and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Equity Index Portfolio (constituting a separate portfolio of Vanguard Variable Insurance Funds, hereafter referred to as the "Portfolio") at December 31, 2016, 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 then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2016 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent, provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 13, 2017

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### Special 2016 tax information (unaudited) for corporate shareholders only for Vanguard Equity Index Portfolio, a portfolio of Vanguard Variable Insurance Funds

This information for the fiscal year ended December 31, 2016, is included pursuant to provisions of the Internal Revenue Code for corporate shareholders only.

The portfolio distributed \$73,773,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year .

For corporate shareholders, 93% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

## 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 in the Financial Statements section. For additional information on operating expenses and other shareholder costs, please refer to the prospectus.

### Six Months Ended December 31, 2016

	Beginning Account Value 6/30/2016	Ending Account Value 12/31/2016	Expenses Paid During Period <sup>1</sup>
Equity Index Portfolio			
Based on Actual Portfolio Return	\$1,000.00	\$1,077.41	\$0.78
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.38	0.76

<sup>1</sup> 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 0.15%. 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 (184/366).

# 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 on an at-cost basis.

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.

## Interested Trustee<sup>1</sup>

### F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Director of The Vanguard Group since 2008; Chief Executive Officer and President of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).

## Independent Trustees

### Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services); Executive in Residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College.

### Rajiv L. Gupta

Born 1945. Trustee Since December 2001.<sup>2</sup> Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Tyco International plc (diversified manufacturing and services), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

### Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania; Trustee of the National Constitution Center; Chair of the Presidential Commission for the Study of Bioethical Issues.

### JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Chief Global Diversity Officer (retired 2008) and

Member of the Executive Committee (1997–2008) of Johnson & Johnson (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

### F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), and of Oxfam America; Director of SKF AB (industrial machinery), Hyster-Yale Materials Handling, Inc. (forklift trucks), the Lumina Foundation for Education, and the V Foundation for Cancer Research; Member of the Advisory Council for the College of Arts and Letters and of the Advisory Board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

### Mark Loughridge

Born 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

### Scott C. Malpass

Born 1962. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Chief Investment Officer and Vice President at the University of Notre Dame; Assistant Professor of Finance at the Mendoza College of Business at Notre Dame; Member of the Notre Dame 403(b) Investment Committee, the Board of Advisors for Spruceview Capital Partners, and the Investment Advisory Committee of Major League Baseball; Board Member of TIFF Advisory Services, Inc., and Catholic Investment Services, Inc. (investment advisors).

### André F. Perold

Born 1952. Trustee Since December 2004. Principal Occupation(s) During the Past Five Years and Other Experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011); Chief Investment Officer and Managing Partner of HighVista Strategies LLC (private investment firm); Director of Rand Merchant Bank; Overseer of the Museum of Fine Arts Boston.

### Peter F. Volanakis

Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Advisory Board of the Norris Cotton Cancer Center.

The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 198 Vanguard funds.

The following table provides information for each trustee and executive officer of the fund. 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](http://vanguard.com).

## Executive Officers

### Glenn Booraem

Born 1967. Treasurer Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Controller of each of the investment companies served by The Vanguard Group (2010–2015); Assistant Controller of each of the investment companies served by The Vanguard Group (2001–2010).

### Thomas J. Higgins

Born 1957. Chief Financial Officer Since September 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Chief Financial Officer of each of the investment companies served by The Vanguard Group; Treasurer of each of the investment companies served by The Vanguard Group (1998–2008).

### Peter Mahoney

Born 1974. Controller Since May 2015. Principal Occupation(s) During the Past Five Years and Other Experience: Head of Global Fund Accounting at The Vanguard Group, Inc.; Controller of each of the investment companies served by The Vanguard Group; Head of International Fund Services at The Vanguard Group (2008–2014).

### Anne E. Robinson

Born 1970. Secretary Since September 2016. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; General Counsel of The Vanguard Group; Secretary of The Vanguard Group and of each of the investment companies served by The Vanguard Group; Director and Senior Vice President of Vanguard Marketing Corporation; Managing Director and General Counsel of Global Cards and Consumer Services at Citigroup (2014–2016); Counsel at American Express (2003–2014).

## Vanguard Senior Management Team

Mortimer J. Buckley  
Martha G. King  
John T. Marcante  
Chris D. McIsaac  
James M. Norris

Thomas M. Rampulla  
Glenn W. Reed  
Karin A. Risi  
Michael Rollings

## Chairman Emeritus and Senior Advisor

### John J. Brennan

Chairman, 1996–2009  
Chief Executive Officer and President, 1996–2008

## Founder

### John C. Bogle

Chairman and Chief Executive Officer, 1974–1996

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

<sup>2</sup> December 2002 for Vanguard Equity Income Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

**Connect with Vanguard®** > [vanguard.com](http://vanguard.com)

**Fund Information** > 800-662-7447

**Annuity and Insurance Services** > 800-522-5555

**Institutional Investor Services** > 800-523-1036

**Text Telephone for People**

**Who Are Deaf or Hard of Hearing** > 800-749-7273

**This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.**

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [sec.gov](http://sec.gov). In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either [vanguard.com/proxyreporting](http://vanguard.com/proxyreporting) or [sec.gov](http://sec.gov).

All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

You can review and copy information about your portfolio at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your portfolio is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

The funds or securities referred to herein that are offered by The Vanguard Group and track an MSCI index are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For 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.



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