

**Annual Report** | September 30, 2020

# Vanguard Strategic Equity Fund

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

## Important information about access to shareholder reports

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund’s annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to [vanguard.com](http://vanguard.com).

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to [vanguard.com](http://vanguard.com). Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

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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.

## Your Fund's Performance at a Glance

- For the 12 months ended September 30, 2020, Vanguard Strategic Equity Fund returned -2.09%. It lagged its benchmark, the MSCI US Small + Mid Cap 2200 Index, which returned 3.87%. The broad U.S. stock market as measured by the Russell 3000 Index returned 15.00% for the period.
- After a sharp, pandemic-related decline earlier in 2020, global stocks began a rebound in March that continued into the third quarter. Massive fiscal and monetary support from governments and central banks, signs of economic healing, and reported progress toward a COVID-19 vaccine all buoyed the markets until September, when investor sentiment soured a little.
- The fund's relative performance was hurt most by stock selection in health care and industrials; it was helped most by selection in energy and consumer discretionary.
- For the ten years ended September 30, the fund posted an average annual return of 11.42%. This result was slightly below that of its benchmark index.

### Market Barometer

	Average Annual Total Returns Periods Ended September 30, 2020		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	16.01%	12.38%	14.09%
Russell 2000 Index (Small-caps)	0.39	1.77	8.00
Russell 3000 Index (Broad U.S. market)	15.00	11.65	13.69
FTSE All-World ex US Index (International)	3.55	1.50	6.49
<b>Bonds</b>			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	6.98%	5.24%	4.18%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	4.09	4.28	3.84
FTSE Three-Month U.S. Treasury Bill Index	1.02	1.65	1.15
<b>CPI</b>			
Consumer Price Index	1.37%	1.79%	1.81%

# Advisor's Report

For the 12 months ended September 30, 2020, Vanguard Strategic Equity Fund returned -2.09%. It lagged its benchmark, the MSCI US Small + Mid Cap 2200 Index, which returned 3.87%.

## Investment environment

After a sharp, pandemic-related decline earlier in 2020, global stocks began a rebound in March that continued into the third quarter. Massive fiscal and monetary support from governments and central banks, signs of economic healing, and reported progress toward a COVID-19 vaccine all buoyed the markets. Investor sentiment soured and volatility returned in September, though, amid stretched valuations in the technology sector, a resurgence in coronavirus infections in some regions, and dimmer chances of a new government aid package in the U.S.

In the United States, where the fund concentrates its investments, large-capitalization stocks outpaced mid- and small-caps, and growth stocks returned more than value stocks.

The pandemic led to a wave of issuance in the global bond market, which drove up supply, but demand held up fairly well. Yields ended the quarter little changed.

## Investment objective and strategy

Although it's important to understand how overall performance is affected by macro factors, our approach to investing focuses on specific fundamentals. We compare

mid- and small-capitalization U.S. stocks within the same industry group to identify those with characteristics that we believe will outperform over time.

To do this, we use a strict quantitative approach to evaluate a stock's attractiveness based on five characteristics: high quality—healthy balance sheets and steady cash-flow generation; management decisions—sound investment policies that favor internal over external funding; consistent earnings growth—the ability to grow earnings year after year; strong market sentiment—market confirmation of our view; and reasonable valuation—we strive to avoid overpriced stocks.

Using these five themes, we generate a daily composite stock ranking as we seek to capitalize on market inefficiencies. We then monitor our portfolio based on those rankings and adjust when appropriate to maximize expected returns while minimizing exposure to risks that our research indicates don't improve returns (such as industry selection and other risks relative to our benchmark).

## Our successes and shortfalls

The fund's tilt toward attractively valued companies relative to the benchmark held back performance. Our momentum and growth models aided relative performance, but our quality, valuation, and management decision models more than offset those advantages. Six of the fund's 11 industry sectors detracted on a relative basis.

Our stock selection in energy, consumer discretionary, and communication services did best; selections in health care, industrials, and real estate were the biggest detractors.

At the individual holding level, the portfolio benefited from Five9, Advanced Micro Devices, Cadence Design Systems, and Fortinet in information technology, and Veeva Systems in health care. The greatest shortfalls came from Service Properties Trust and Brixmor Property Group in real estate, Spirit AeroSystems Holdings in industrials, Ally Financial in financials, and Plains GP Holdings in energy.

We continue to believe that constructing a portfolio focused on fundamentals will benefit investors over the long term,

although we recognize that the market can reward or punish us in the near term. We feel the fund offers a strong mix of stocks with attractive valuations and growth characteristics.

We thank you for your investment and look forward to the coming fiscal year.

Portfolio Managers:

James P. Stetler

Binbin Guo, Principal, Head of Alpha Equity Investments

Vanguard Quantitative Equity Group

October 15, 2020

# About Your Fund's Expenses

As a shareholder of the fund, 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 fund's gross income, directly reduce the investment return of the fund.

A fund'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 fund 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 fund's costs in two ways:

- **Based on actual fund 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 fund'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 fund. 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 fund under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund 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 fund'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 fund'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 fund for buying and selling securities. Further, the expenses do not include any purchase, redemption, or account service fees described in the fund prospectus. If such fees were applied to your account, your costs would be higher. Your fund does not carry a "sales load."

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 fund's expenses, including annual expense ratios, in the Financial Statements section of this report. For additional information on operating expenses and other shareholder costs, please refer to your fund's current prospectus.

Six Months Ended September 30, 2020

Strategic Equity Fund	Beginning Account Value 3/31/2020	Ending Account Value 9/30/2020	Expenses Paid During Period
Based on Actual Fund Return	\$1,000.00	\$1,331.72	\$0.99
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.15	0.86

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratio for that period is 0.17%. 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 (183/366).

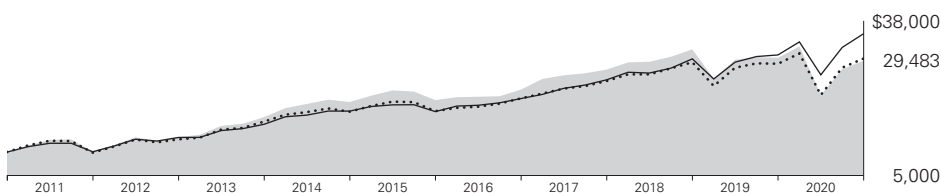
# Strategic Equity Fund

## 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 fund. (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 fund distributions or on the sale of fund shares.

Cumulative Performance: September 30, 2010, Through September 30, 2020

Initial Investment of \$10,000



Average Annual Total Returns  
Periods Ended September 30, 2020

	One Year	Five Years	Ten Years	Final Value of a \$10,000 Investment
— Strategic Equity Fund	-2.09%	6.93%	11.42%	\$29,483
..... MSCI US Small + Mid Cap 2200 Index	3.87	9.84	11.60	29,962
— Dow Jones U.S. Total Stock Market Float Adjusted Index	14.77	13.60	13.43	35,263

See Financial Highlights for dividend and capital gains information.



## Fund Allocation

As of September 30, 2020

Communication Services	4.9%
Consumer Discretionary	13.0
Consumer Staples	3.2
Energy	2.0
Financials	12.4
Health Care	14.6
Industrials	14.9
Information Technology	18.5
Materials	5.4
Real Estate	7.4
Utilities	3.7

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

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.

# Financial Statements

## Schedule of Investments

As of September 30, 2020

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The fund's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Common Stocks (99.4%)</b>			H&R Block Inc.	1,638,295	26,688
<b>Communication Services (4.9%)</b>			* Peloton Interactive Inc. Class A	234,386	23,260
* Match Group Inc.	296,164	32,771	Wingstop Inc.	166,679	22,777
* Bandwidth Inc. Class A	151,731	26,488	Domino's Pizza Inc.	49,767	21,165
* Take-Two Interactive Software Inc.	150,195	24,815	* Stamps.com Inc.	81,610	19,664
New York Times Co. Class A	527,297	22,563	Darden Restaurants Inc.	194,282	19,572
*^ Discovery Inc. Class A	937,510	20,410	Newell Brands Inc.	1,099,671	18,870
News Corp. Class B	1,254,970	17,544	Tractor Supply Co.	125,278	17,957
* Liberty Media Corp-Liberty Formula One Class C	392,357	14,231	Papa John's International Inc.	210,681	17,335
News Corp. Class A	928,577	13,019	* Murphy USA Inc.	132,563	17,004
* Zynga Inc. Class A	1,361,382	12,416	Brunswick Corp.	259,651	15,296
* Pinterest Inc. Class A	258,551	10,732	Service Corp. International	358,812	15,135
* Liberty Broadband Corp.	70,703	10,101	Autoliv Inc.	202,708	14,773
* Discovery Communications Inc. Class C	477,791	9,365	Aaron's Inc.	258,441	14,641
CenturyLink Inc.	917,173	9,254	Bloomin' Brands Inc. Big Lots Inc.	917,253	14,006
Interpublic Group of Cos. Inc.	554,731	9,247	* AutoNation Inc.	302,038	13,471
* MSG Networks Inc.	929,267	8,893	* Planet Fitness Inc. Class A	254,305	13,460
* Zillow Group Inc. Class A	84,450	8,575	* ServiceMaster Global Holdings Inc.	193,413	11,918
Omnicom Group Inc.	164,563	8,146	* Wayfair Inc.	294,274	11,736
* ANGI Homeservices Inc. Class A	503,045	5,581	* Adient plc	39,365	11,456
* Liberty Global plc Class C	251,013	5,155	Camping World Holdings Inc. Class A	658,798	11,417
* Liberty Media Corp-Liberty SiriusXM Class A	152,656	5,064	Pool Corp.	376,784	11,209
* DISH Network Corp. Class A	117,493	3,411	Thor Industries Inc.	33,032	11,051
* EverQuote Inc. Class A	72,543	2,803	* NVR Inc.	115,676	11,019
* Yelp Inc. Class A	117,982	2,370	Gentex Corp.	2,695	11,004
* Vonage Holdings Corp.	170,798	1,747	Qurate Retail Group Inc. QVC Group Class A	373,401	9,615
		<b>284,701</b>	*^ GameStop Corp. Class A	1,085,868	7,797
<b>Consumer Discretionary (12.8%)</b>			Aramark	703,551	7,176
Best Buy Co. Inc.	544,822	60,633	* Penn National Gaming Inc.	258,267	6,831
PulteGroup Inc.	1,050,667	48,635	* Tupperware Brands Corp.	91,012	6,617
Whirlpool Corp.	247,662	45,543	* At Home Group Inc.	324,938	6,551
Rent-A-Center Inc.	1,165,281	34,830	* Hanesbrands Inc.	384,112	5,708
* Meritage Homes Corp.	297,483	32,839	* Grand Canyon Education Inc.	339,956	5,354
			Polaris Inc.	66,513	5,317
				50,659	4,779

## Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* LKQ Corp.	168,556	4,674	* Southwestern Energy Co.	4,356,787	10,238
Dine Brands Global Inc.	82,828	4,522	Plains GP Holdings LP Class A	1,562,567	9,516
PetMed Express Inc.	142,952	4,520	Range Resources Corp.	1,356,385	8,979
* iRobot Corp.	56,228	4,268	Concho Resources Inc.	175,449	7,741
* Asbury Automotive Group Inc.	42,148	4,107	Devon Energy Corp.	549,812	5,201
^ Cheesecake Factory Inc.	143,952	3,993	Targa Resources Corp.	338,238	4,746
Signet Jewelers Ltd.	201,536	3,769	TechnipFMC plc	568,365	3,586
KB Home	90,892	3,489	* Cheniere Energy Inc.	67,532	3,125
Williams-Sonoma Inc.	37,132	3,358	Apache Corp.	303,740	2,876
* Etsy Inc.	26,441	3,216	Nabors Industries Ltd.	40,375	987
Jack in the Box Inc.	40,131	3,183	EQT Corp.	24,847	321
Wyndham Destinations Inc.	98,077	3,017			<b>115,943</b>
* Skyline Champion Corp.	111,714	2,991	<b>Financials (12.4%)</b>		
* TopBuild Corp.	17,000	2,902	Primerica Inc.	349,705	39,566
Kohl's Corp.	153,993	2,854	LPL Financial Holdings Inc.	458,917	35,185
* WW International Inc.	133,568	2,520	MSCI Inc. Class A	98,067	34,988
* Installed Building Products Inc.	22,435	2,283	Equitable Holdings Inc.	1,756,435	32,037
Group 1 Automotive Inc.	25,662	2,268	Regions Financial Corp.	2,592,589	29,893
* Chegg Inc.	26,400	1,886	Zions Bancorp NA	954,333	27,886
Strategic Education Inc.	10,825	990	Walker & Dunlop Inc.	507,957	26,922
* Bright Horizons Family Solutions Inc.	4,629	704	First American Financial Corp.	432,955	22,042
Lithia Motors Inc. Class A	2,468	563	First Horizon National Corp.	2,285,740	21,555
* Chipotle Mexican Grill Inc. Class A	416	517	MGIC Investment Corp.	2,390,154	21,177
		<b>750,703</b>	Cullen/Frost Bankers Inc.	300,929	19,244
<b>Consumer Staples (3.1%)</b>			Hanover Insurance Group Inc.	201,662	18,791
Campbell Soup Co.	834,944	40,386	Fifth Third Bancorp	875,335	18,662
Conagra Brands Inc.	576,089	20,572	Voya Financial Inc.	380,538	18,239
* TreeHouse Foods Inc.	456,681	18,509	FactSet Research Systems Inc.	46,359	15,525
Casey's General Stores Inc.	83,257	14,791	* Brighthouse Financial Inc.	560,527	15,084
* Herbalife Nutrition Ltd.	307,947	14,366	Assured Guaranty Ltd.	695,147	14,932
Bunge Ltd.	258,031	11,792	Unum Group	869,577	14,635
McCormick & Co. Inc.	55,283	10,730	* NMI Holdings Inc. Class A	775,903	13,811
* Edgewell Personal Care Co.	344,219	9,597	Globe Life Inc.	157,157	12,557
* BJ's Wholesale Club Holdings Inc.	227,546	9,455	MarketAxess Holdings Inc.	23,234	11,189
Medifast Inc.	56,426	9,279	CNO Financial Group Inc.	685,490	10,995
Ingles Markets Inc. Class A	204,811	7,791	Navient Corp.	1,241,808	10,493
J M Smucker Co.	63,876	7,379	Jefferies Financial Group Inc.	555,427	9,998
* Hain Celestial Group Inc.	89,745	3,078	PennyMac Financial Services Inc.	167,950	9,761
* USANA Health Sciences Inc.	37,945	2,795	Evercore Inc. Class A	148,570	9,725
* United Natural Foods Inc.	150,548	2,239	Cboe Global Markets Inc.	109,172	9,579
Coty Inc. Class A	84,139	227	Nasdaq Inc.	77,195	9,473
		<b>182,986</b>	* Cannae Holdings Inc.	252,524	9,409
<b>Energy (2.0%)</b>			* eHealth Inc.	118,887	9,392
* Renewable Energy Group Inc.	697,978	37,286	Universal Insurance Holdings Inc.	668,704	9,255
National Oilwell Varco Inc.	1,213,974	10,999	People's United Financial Inc.	896,888	9,247
Halliburton Co.	858,259	10,342			

Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Erie Indemnity Co. Class A	43,564	9,161	* PRA Health Sciences Inc.	343,430	34,838
Interactive Brokers Group Inc.	171,860	8,306	Universal Health Services Inc. Class B	304,548	32,593
Essent Group Ltd.	217,799	8,061	Cardinal Health Inc.	691,329	32,458
Huntington Bancshares Inc.	831,096	7,621	* Tenet Healthcare Corp.	1,174,261	28,781
Virtu Financial Inc. Class A	301,974	6,948	* Mettler-Toledo International Inc.	29,467	28,458
Stifel Financial Corp.	136,119	6,882	West Pharmaceutical Services Inc.	100,017	27,495
Federal Agricultural Mortgage Corp. Class C	106,987	6,811	Bruker Corp.	640,895	25,476
First Hawaiian Inc.	454,081	6,571	* IQVIA Holdings Inc.	144,836	22,830
Umpqua Holdings Corp.	609,314	6,471	* Henry Schein Inc.	383,449	22,539
Nelnet Inc. Class A	104,431	6,292	* Dentsply Sirona Inc.	452,325	19,780
Webster Financial Corp.	226,099	5,971	* Haemonetics Corp.	219,403	19,143
Lincoln National Corp.	180,205	5,646	* Sarepta Therapeutics Inc.	135,395	19,014
American Equity Investment Life Holding Co.	241,926	5,320	* Quidel Corp.	84,057	18,440
First Financial Bankshares Inc.	188,672	5,266	* Bluebird Bio Inc.	316,991	17,102
Prosperity Bancshares Inc.	93,925	4,868	* Syneos Health Inc.	291,025	15,471
International Bancshares Corp.	184,281	4,802	* Incyte Corp.	169,314	15,194
* Trupanion Inc.	60,190	4,749	* Alnylam Pharmaceuticals Inc.	94,381	13,742
BrightSphere Investment Group Inc.	305,839	3,945	* CRISPR Therapeutics AG	158,182	13,230
Artisan Partners Asset Management Inc. Class A	100,933	3,935	* Emergent BioSolutions Inc.	125,432	12,961
Synchrony Financial	146,848	3,843	* Avantor Inc.	491,793	11,060
FNB Corp.	554,944	3,762	* United Therapeutics Corp.	107,130	10,820
Kemper Corp.	53,620	3,583	* Enanta Pharmaceuticals Inc.	234,417	10,732
PacWest Bancorp	202,079	3,451	* ImmunoGen Inc.	2,939,490	10,582
KKR & Co. Inc.	99,952	3,432	* Corcept Therapeutics Inc.	574,863	10,005
Citizens Financial Group Inc.	121,934	3,082	* Alkermes plc	569,980	9,445
Affiliated Managers Group Inc.	31,582	2,160	* Myriad Genetics Inc.	665,388	8,677
Signature Bank	24,862	2,063	* Novavax Inc.	79,411	8,604
Kinsale Capital Group Inc.	10,274	1,954	* Acceleron Pharma Inc.	74,772	8,414
Popular Inc.	48,212	1,749	* BioMarin Pharmaceutical Inc.	97,140	7,390
Pinnacle Financial Partners Inc.	44,991	1,601	* Endo International plc	2,160,177	7,129
Associated Banc-Corp	109,164	1,378	* MacroGenics Inc.	236,106	5,948
* Encore Capital Group Inc.	34,557	1,334	* MEDNAX Inc.	295,515	4,811
		<b>722,265</b>	* Intercept Pharmaceuticals Inc.	114,807	4,760
<b>Health Care (14.5%)</b>			* Prestige Consumer Healthcare Inc.	122,650	4,467
* Charles River Laboratories International Inc.	198,422	44,933	* Puma Biotechnology Inc.	440,116	4,441
* DaVita Inc.	514,828	44,095	* BioCryst Pharmaceuticals Inc.	1,277,799	4,389
* Novocure Ltd.	379,258	42,215	* GenMark Diagnostics Inc.	301,835	4,286
* Medpace Holdings Inc.	354,062	39,566	* Natera Inc.	58,874	4,253
Chemed Corp.	80,801	38,813	PerkinElmer Inc.	30,509	3,829
* Veeva Systems Inc. Class A	135,949	38,228	*^ Inovio Pharmaceuticals Inc.	288,112	3,342
			* Pacific Biosciences of California Inc.	338,041	3,336
			* Jazz Pharmaceuticals plc	22,494	3,207
			* LHC Group Inc.	14,626	3,109

Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Teladoc Health Inc.	14,007	3,071	Fortune Brands Home & Security Inc.	113,244	9,798
* Fulgent Genetics Inc.	73,882	2,958	Fastenal Co.	216,919	9,781
* Heron Therapeutics Inc.	159,366	2,362	Old Dominion Freight Line Inc.	51,138	9,252
* Deciphera Pharmaceuticals Inc.	44,118	2,263	Brink's Co.	225,056	9,248
Luminex Corp.	81,881	2,149	GATX Corp.	143,884	9,173
* Laboratory Corp. of America Holdings	10,300	1,939	Hubbell Inc. Class B	61,871	8,466
*^ Co-Diagnostics Inc.	118,067	1,605	SkyWest Inc.	273,186	8,157
* Editas Medicine Inc.	56,415	1,583	CH Robinson Worldwide Inc.	78,277	7,999
* Bioexcel Therapeutics Inc.	34,513	1,496	Acuity Brands Inc.	75,236	7,700
*^ Mallinckrodt plc	1,503,469	1,463	* AeroVironment Inc.	121,205	7,273
* Myovant Sciences Ltd.	76,000	1,068	UFP Industries Inc.	110,714	6,256
* Moderna Inc.	11,250	796	ManpowerGroup Inc.	79,784	5,851
Encompass Health Corp.	7,246	471	* Aecom	126,934	5,311
		<b>847,655</b>	* SiteOne Landscape Supply Inc.	42,461	5,178
<b>Industrials (14.8%)</b>			* Avis Budget Group Inc.	181,689	4,782
WW Grainger Inc.	145,004	51,733	Allegion plc	44,112	4,363
Expeditors International of Washington Inc.	551,645	49,935	MSC Industrial Direct Co. Inc. Class A	67,820	4,292
Masco Corp.	893,271	49,246	KAR Auction Services Inc.	287,952	4,146
* Generac Holdings Inc.	236,149	45,728	Ennis Inc.	233,372	4,070
Owens Corning	645,407	44,410	* TrueBlue Inc.	249,280	3,861
Allison Transmission Holdings Inc.	892,049	31,347	Watsco Inc.	16,488	3,840
* MasTec Inc.	702,709	29,654	Steelcase Inc. Class A	342,880	3,467
* TriNet Group Inc.	454,648	26,970	Herman Miller Inc.	105,097	3,170
TransUnion	316,487	26,626	Rollins Inc.	54,268	2,941
* Meritor Inc.	1,180,710	24,724	* Atkore International Group Inc.	123,469	2,806
* Builders FirstSource Inc.	757,721	24,717	WillScot Mobile Mini Holdings Corp. Class A	164,895	2,750
Huntington Ingalls Industries Inc.	169,707	23,886	Quad/Graphics Inc.	845,269	2,561
* HD Supply Holdings Inc.	552,796	22,797	* Atlas Air Worldwide Holdings Inc.	39,043	2,378
Robert Half International Inc.	401,789	21,271	* Upwork Inc.	134,973	2,354
* Aerojet Rocketdyne Holdings Inc.	529,955	21,140	Pentair plc	50,116	2,294
* FTI Consulting Inc.	190,653	20,203	* Beacon Roofing Supply Inc.	51,717	1,607
Oshkosh Corp.	233,475	17,160	Triton International Ltd.	37,389	1,521
Landstar System Inc.	131,796	16,539	* Dycor Industries Inc.	27,208	1,437
Werner Enterprises Inc.	353,540	14,845	* XPO Logistics Inc.	8,187	693
Jacobs Engineering Group Inc.	157,602	14,621			<b>864,483</b>
Wabash National Corp.	1,206,573	14,431	<b>Information Technology (18.4%)</b>		
Nielsen Holdings plc	990,739	14,049	* Synopsys Inc.	306,110	65,501
Rush Enterprises Inc. Class A	254,214	12,848	* Cadence Design Systems Inc.	595,540	63,502
JB Hunt Transport Services Inc.	97,255	12,291	* Fortinet Inc.	436,446	51,418
Dover Corp.	108,684	11,775	Booz Allen Hamilton Holding Corp. Class A	563,300	46,743
Kansas City Southern	60,024	10,854	Seagate Technology plc	915,858	45,124
Wabtec Corp.	170,921	10,577	* Synaptics Inc.	496,235	39,907
Quanta Services Inc.	198,426	10,489	* Five9 Inc.	282,204	36,596
* United Rentals Inc.	60,005	10,471	CDW Corp.	303,586	36,288
Tetra Tech Inc.	108,585	10,370	Jabil Inc.	1,053,551	36,095

Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Dropbox Inc. Class A	1,689,997	32,549	* FireEye Inc.	249,840	3,084
* Manhattan Associates Inc.	325,222	31,055	* Qualys Inc.	29,257	2,867
* CACI International Inc. Class A	142,862	30,452	* Mimecast Ltd.	46,941	2,202
* Zendesk Inc.	269,582	27,745	* Brooks Automation Inc.	41,176	1,905
*^ SunPower Corp.	2,179,781	27,269	* DocuSign Inc. Class A	7,472	1,608
* Box Inc.	1,490,129	25,869	* CommScope Holding Co. Inc.	175,841	1,583
* Avnet Inc.	972,049	25,118	* SPS Commerce Inc.	20,195	1,573
* Amkor Technology Inc.	2,092,933	23,441	* MACOM Technology Solutions Holdings Inc.	15,119	514
* Teradata Corp.	1,011,271	22,956			<u>1,073,267</u>
* Lattice Semiconductor Corp.	782,418	22,659	<b>Materials (5.4%)</b>		
* Advanced Micro Devices Inc.	266,780	21,873	* Avery Dennison Corp.	267,331	34,176
* Zebra Technologies Corp.	84,211	21,260	* Huntsman Corp.	1,499,326	33,300
* ManTech International Corp. Class A	301,322	20,755	* Louisiana-Pacific Corp.	949,252	28,013
* Cirrus Logic Inc.	287,029	19,360	* Scotts Miracle-Gro Co.	183,188	28,011
* Flex Ltd.	1,578,995	17,590	* Ball Corp.	330,293	27,454
* Oкта Inc.	73,303	15,676	* Sealed Air Corp.	689,008	26,740
* Western Digital Corp.	392,139	14,333	* Royal Gold Inc.	206,717	24,841
* Fair Isaac Corp.	32,648	13,888	* Reliance Steel & Aluminum Co.	223,627	22,819
* Fastly Inc. Class A	142,821	13,379	* Greif Inc. Class A	353,331	12,794
* Unisys Corp.	1,248,353	13,320	* Coeur Mining Inc.	1,654,658	12,211
* CSG Systems International Inc.	324,021	13,269	* Axalta Coating Systems Ltd.	511,771	11,346
* SolarEdge Technologies Inc.	51,878	12,365	* Avient Corp.	405,954	10,742
* SYNEX Corp.	86,525	12,119	* Element Solutions Inc.	865,659	9,098
* Proofpoint Inc.	112,624	11,887	* Commercial Metals Co.	422,032	8,432
* Citrix Systems Inc.	85,859	11,824	* Domtar Corp.	264,928	6,960
* GoDaddy Inc. Class A	149,435	11,353	* O-I Glass Inc.	463,347	4,907
* Inphi Corp.	96,075	10,784	* Mosaic Co.	233,090	4,259
* MAXIMUS Inc.	147,691	10,104	* Cabot Corp.	87,535	3,154
* Domo Inc.	255,365	9,788	* Alcoa Corp.	212,504	2,471
* Twilio Inc. Class A	34,537	8,534	* Sensient Technologies Corp.	27,815	1,606
* Avaya Holdings Corp.	551,667	8,385			<u>313,334</u>
* NortonLifeLock Inc.	399,635	8,328	<b>Real Estate (7.4%)</b>		
* Lumentum Holdings Inc.	99,612	7,484	* Iron Mountain Inc.	1,319,505	35,350
* Verint Systems Inc.	151,803	7,314	* Sabra Health Care REIT Inc.	2,210,427	30,471
* Nuance Communications Inc.	187,965	6,239	* Lexington Realty Trust	2,599,553	27,165
* Workiva Inc. Class A	110,134	6,141	* Mid-America Apartment Communities Inc.	230,672	26,746
* Cloudera Inc.	539,896	5,879	* Invitation Homes Inc.	932,648	26,105
* SMART Global Holdings Inc.	196,437	5,371	* Spirit Realty Capital Inc.	725,884	24,499
* Perspecta Inc.	249,541	4,854	* Life Storage Inc.	230,808	24,297
*^ Maxeon Solar Technologies Ltd.	272,472	4,621	* VEREIT Inc.	2,939,263	19,105
* Ciena Corp.	106,555	4,229	* CyrusOne Inc.	271,409	19,007
* EPAM Systems Inc.	13,000	4,203	* Gaming and Leisure Properties Inc.	484,632	17,897
* Avalara Inc.	32,762	4,172	* VICI Properties Inc.	754,133	17,624
* DXC Technology Co.	216,986	3,873	* SL Green Realty Corp.	344,177	15,960
* Nutanix Inc.	139,315	3,090	* Brixmor Property Group Inc.	1,335,099	15,607

## Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Omega Healthcare Investors Inc.</b>	496,567	14,867	<b>Preferred Stocks (0.1%)</b>		
<b>Brandywine Realty Trust</b>	1,398,665	14,462	* <b>Qurate Retail Inc. Pfd.</b>		
<b>National Health Investors Inc.</b>	214,314	12,917	8.000% 3/15/31		
<b>American Homes 4 Rent Class A</b>	398,839	11,359	<b>(Cost \$2,873)</b>	32,576	<b>3,209</b>
* <b>Redfin Corp.</b>	211,032	10,537	<b>Temporary Cash Investments (1.4%)</b>		
<b>MGM Growth Properties LLC Class A</b>	361,468	10,114	<b>Money Market Fund (1.3%)</b>		
<b>GEO Group Inc.</b>	781,240	8,859	<sup>1,2</sup> Vanguard Market Liquidity Fund, 0.117%	779,849	77,985
<b>Xenia Hotels &amp; Resorts Inc.</b>	835,052	7,332		Face Amount	
<b>CoreCivic Inc.</b>	834,930	6,679		(\$000)	
<b>Diversified Healthcare Trust</b>	1,539,895	5,420	<b>U.S. Government and Agency Obligations (0.1%)</b>		
<b>Universal Health Realty Income Trust</b>	86,752	4,944	<sup>3</sup> United States Cash Management Bill, 0.146%, 12/15/20	3,400	3,399
<b>Regency Centers Corp. Healthcare Trust of America Inc. Class A</b>	147,583	3,837	<b>Total Temporary Cash Investments (Cost \$81,369)</b>		<b>81,384</b>
<b>Piedmont Office Realty Trust Inc. Class A</b>	249,472	3,385	<b>Total Investments (100.9%) (Cost \$5,194,320)</b>		<b>5,887,687</b>
<sup>^</sup> <b>Tanger Factory Outlet Centers Inc.</b>	522,384	3,150	<b>Other Assets and Liabilities—Net (-0.9%)</b>		<b>(51,390)</b>
<b>Healthcare Realty Trust Inc.</b>	102,134	3,076	<b>Net Assets (100%)</b>		<b>5,836,297</b>
<sup>^</sup> <b>Macerich Co.</b>	362,819	2,464	Cost is in \$000.		
<b>Uniti Group Inc.</b>	146,861	1,547	• See Note A in Notes to Financial Statements.		
<b>Kimco Realty Corp.</b>	52,623	593	* Non-income-producing security.		
		<b>430,053</b>	<sup>^</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$57,201,000.		
<b>Utilities (3.7%)</b>			<sup>1</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.		
<b>Ameren Corp.</b>	506,121	40,024	<sup>2</sup> Collateral of \$63,000,000 was received for securities on loan, of which \$59,773,000 is held in Vanguard Market Liquidity Fund and \$3,227,000 is held in cash.		
<b>Vistra Corp.</b>	1,999,569	37,712	<sup>3</sup> Securities with a value of \$2,207,000 have been segregated as initial margin for open futures contracts.		
<b>AES Corp.</b>	2,020,117	36,584	REIT—Real Estate Investment Trust.		
<b>FirstEnergy Corp.</b>	722,854	20,753			
<b>NRG Energy Inc.</b>	545,854	16,780			
<b>CenterPoint Energy Inc.</b>	805,852	15,593			
<b>Pinnacle West Capital Corp.</b>	189,717	14,144			
<b>CMS Energy Corp.</b>	204,240	12,542			
<b>Entergy Corp.</b>	95,111	9,371			
<b>Hawaiian Electric Industries Inc.</b>	156,894	5,215			
<b>Evergy Inc.</b>	69,810	3,548			
<b>American States Water Co.</b>	39,964	2,995			
<b>Portland General Electric Co.</b>	68,808	2,443			
		<b>217,704</b>			
<b>Total Common Stocks (Cost \$5,110,078)</b>		<b>5,803,094</b>			

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Derivative Financial Instruments Outstanding as of Period End

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## Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini Russell 2000 Index	December 2020	155	11,659	(242)
E-mini S&P 500 Index	December 2020	68	11,397	(45)
E-mini S&P Mid-Cap 400 Index	December 2020	49	9,094	(86)
				(373)

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



# Statement of Assets and Liabilities

As of September 30, 2020

(\$000s, except shares and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$5,116,350)	5,809,702
Affiliated Issuers (Cost \$77,970)	77,985
Total Investments in Securities	5,887,687
Investment in Vanguard	250
Cash	3,062
Receivables for Investment Securities Sold	222,589
Receivables for Accrued Income	6,566
Receivables for Capital Shares Issued	951
Variation Margin Receivable—Futures Contracts	121
<b>Total Assets</b>	<b>6,121,226</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	217,230
Collateral for Securities on Loan	63,000
Payables for Capital Shares Redeemed	4,172
Payables to Vanguard	514
Variation Margin Payable—Futures Contracts	13
<b>Total Liabilities</b>	<b>284,929</b>
<b>Net Assets</b>	<b>5,836,297</b>

At September 30, 2020, net assets consisted of:

Paid-in Capital	5,083,966
Total Distributable Earnings (Loss)	752,331
<b>Net Assets</b>	<b>5,836,297</b>

**Net Assets**

Applicable to 192,558,621 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	5,836,297
<b>Net Asset Value Per Share</b>	<b>\$30.31</b>

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

## Statement of Operations

Year Ended  
September 30, 2020  
(\$000)

<b>Investment Income</b>	
<b>Income</b>	
Dividends	102,729
Interest <sup>1</sup>	317
Securities Lending—Net	4,588
Total Income	107,634
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	1,564
Management and Administrative	8,417
Marketing and Distribution	644
Custodian Fees	44
Auditing Fees	31
Shareholders' Reports	81
Trustees' Fees and Expenses	6
Total Expenses	10,787
<b>Net Investment Income</b>	<b>96,847</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	23,626
Futures Contracts	(2,627)
<b>Realized Net Gain (Loss)</b>	<b>20,999</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	(281,951)
Futures Contracts	643
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(281,308)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(163,462)</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$293,000, \$36,000 and \$4,000, respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Year Ended September 30,	
	2020 (\$000)	2019 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	96,847	101,249
Realized Net Gain (Loss)	20,999	96,770
Change in Unrealized Appreciation (Depreciation)	(281,308)	(666,467)
Net Increase (Decrease) in Net Assets Resulting from Operations	(163,462)	(468,448)
<b>Distributions<sup>1</sup></b>		
Total Distributions	(213,745)	(599,518)
<b>Capital Share Transactions</b>		
Issued	570,926	756,397
Issued in Lieu of Cash Distributions	199,995	563,538
Redeemed	(1,655,893)	(1,099,829)
Net Increase (Decrease) from Capital Share Transactions	(884,972)	220,106
Total Increase (Decrease)	(1,262,179)	(847,860)
<b>Net Assets</b>		
Beginning of Period	7,098,476	7,946,336
End of Period	5,836,297	7,098,476

<sup>1</sup> Certain prior-period numbers have been reclassified to conform with the current-period presentation.

## Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended September 30,				
	2020	2019	2018	2017	2016
<b>Net Asset Value, Beginning of Period</b>	<b>\$31.87</b>	<b>\$37.21</b>	<b>\$34.89</b>	<b>\$30.41</b>	<b>\$30.82</b>
<b>Investment Operations</b>					
Net Investment Income	.459 <sup>1</sup>	.449 <sup>1</sup>	.392 <sup>1</sup>	.504 <sup>1</sup>	.624
Net Realized and Unrealized Gain (Loss) on Investments	(1.041)	(2.980)	4.781	4.988	2.440
Total from Investment Operations	(.582)	(2.531)	5.173	5.492	3.064
<b>Distributions</b>					
Dividends from Net Investment Income	(.444)	(.395)	(.460)	(.509)	(.507)
Distributions from Realized Capital Gains	(.534)	(2.414)	(2.393)	(.503)	(2.967)
Total Distributions	(.978)	(2.809)	(2.853)	(1.012)	(3.474)
<b>Net Asset Value, End of Period</b>	<b>\$30.31</b>	<b>\$31.87</b>	<b>\$37.21</b>	<b>\$34.89</b>	<b>\$30.41</b>
<b>Total Return<sup>2</sup></b>	<b>-2.09%</b>	<b>-5.63%</b>	<b>15.63%</b>	<b>18.28%</b>	<b>10.62%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$5,836	\$7,098	\$7,946	\$7,051	\$6,046
Ratio of Total Expenses to Average Net Assets	0.17%	0.17%	0.17%	0.18%	0.18%
Ratio of Net Investment Income to Average Net Assets	1.53%	1.42%	1.10%	1.53%	2.09%
Portfolio Turnover Rate	61%	60%	82%	81%	74%

<sup>1</sup> Calculated based on average shares outstanding.

<sup>2</sup> Total returns do not include account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable account service fees.

## Notes to Financial Statements

Vanguard Strategic Equity Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect assets of the fund and thus fund performance.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The fund 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 fund'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 fund uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The fund may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the fund 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 fund 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 fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any securities pledged as initial margin for open contracts are noted in the Schedule of Investments.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Assets and Liabilities. Fluctuations in the value of the contracts are recorded in the Statement of Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized gains (losses) on futures contracts.

During the year ended September 30, 2020, the fund's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. The fund's tax returns are open to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally

three years after the filing of the tax return. Management has analyzed the fund's tax positions taken for all open federal and state income tax years, and has concluded that no provision for income tax is required in the fund's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined on a tax basis at the fiscal year-end and may differ from net investment income and realized capital gains for financial reporting purposes.

5. Securities Lending: To earn additional income, the fund lends its securities to qualified institutional borrowers. Security loans are subject to termination by the fund at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The fund 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 fund 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 fund; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the fund may experience delays and costs in recovering the securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Collateral investments in Vanguard Market Liquidity Fund are subject to market appreciation or depreciation. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the fund is entitled to all distributions made on or in respect of the loaned securities.

6. Credit Facilities and Interfund Lending Program: The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement and an uncommitted credit facility provided by Vanguard. Both facilities may be renewed annually. Each fund is individually liable for its borrowings, if any, under the credit facilities. Borrowings may be utilized for temporary or emergency purposes, subject to the fund's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under either facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate (or an acceptable alternate rate, if necessary), federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread, except that borrowings under the uncommitted credit facility may bear interest based upon an alternative rate agreed to by the fund and Vanguard.

In accordance with an exemptive order (the "Order") from the SEC, the fund may participate in a joint lending and borrowing program that allows registered open-end Vanguard funds to borrow money from and lend money to each other for temporary or emergency purposes (the "Interfund

Lending Program”), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the fund’s investment objective and investment policies. Interfund loans and borrowings normally extend overnight, but can have a maximum duration of seven days. Loans may be called on one business day’s notice. The interest rate to be charged is governed by the conditions of the Order and internal procedures adopted by the board of trustees. The board of trustees is responsible for overseeing the Interfund Lending Program.

For the year ended September 30, 2020, the fund did not utilize the credit facilities or the Interfund Lending Program.

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 are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

**B.** In accordance with the terms of a Funds’ Service Agreement (the “FSA”) between Vanguard and the fund, Vanguard furnishes to the fund 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 fund based on methods and guidelines approved by the board of trustees and are generally settled twice a month.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At September 30, 2020, the fund had contributed to Vanguard capital in the amount of \$250,000, representing less than 0.01% of the fund’s net assets and 0.10% of Vanguard’s capital received pursuant to the FSA. The fund’s trustees and officers are also directors and employees, respectively, of Vanguard.

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

**Level 1**—Quoted prices in active markets for identical securities.

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

**Level 3**—Significant unobservable inputs (including the fund’s own assumptions used to determine the fair value of investments). Any investments and derivatives valued with significant unobservable inputs are noted on the Schedule of Investments.

## Strategic Equity Fund

The following table summarizes the market value of the fund's investments and derivatives as of September 30, 2020, based on the inputs used to value them

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Investments</b>				
<b>Assets</b>				
Common Stocks	5,803,094	—	—	5,803,094
Preferred Stocks	3,209	—	—	3,209
Temporary Cash Investments	77,985	3,399	—	81,384
<b>Total</b>	<b>5,884,288</b>	<b>3,399</b>	<b>—</b>	<b>5,887,687</b>
<b>Derivative Financial Instruments</b>				
<b>Assets</b>				
Futures Contracts <sup>1</sup>	121	—	—	121
<b>Liabilities</b>				
Futures Contracts <sup>1</sup>	13	—	—	13

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

D. Permanent differences between book-basis and tax-basis components of net assets, if any, are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share.

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. The differences are primarily related to the deferral of losses from wash sales; the recognition of unrealized gains or losses from certain derivative contracts; and the deferral of qualified late-year losses. As of period end, the tax-basis components of total distributable earnings (loss) are detailed in the table as follows:

	Amount (\$000)
Undistributed Ordinary Income	62,436
Undistributed Long-Term Gains	—
Capital Loss Carryforwards	—
Qualified Late-Year Losses	(3,473)
<b>Net Unrealized Gains (Losses)</b>	<b>693,368</b>



## Strategic Equity Fund

The tax character of distributions paid was as follows:

	Year Ended September 30,	
	2020 Amount (\$000)	2019 Amount (\$000)
Ordinary Income*	97,026	108,219
Long-Term Capital Gains	116,719	491,299
Total	213,745	599,518

\*Includes short-term capital gains, if any.

As of September 30, 2020, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	5,194,320
Gross Unrealized Appreciation	1,214,077
Gross Unrealized Depreciation	(520,710)
Net Unrealized Appreciation (Depreciation)	693,367

E. During the year ended September 30, 2020, the fund purchased \$3,862,095,000 of investment securities and sold \$4,848,075,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Year Ended September 30,	
	2020 Shares (000)	2019 Shares (000)
Issued	20,190	24,126
Issued in Lieu of Cash Distributions	6,031	20,418
Redeemed	(56,402)	(35,338)
Net Increase (Decrease) in Shares Outstanding	(30,181)	9,206

G. Management has determined that no events or transactions occurred subsequent to September 30, 2020, that would require recognition or disclosure in these financial statements.

# Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Horizon Funds and Shareholders of Vanguard Strategic Equity Fund

## Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Vanguard Strategic Equity Fund (one of the funds constituting Vanguard Horizon Funds, referred to hereafter as the “Fund”) as of September 30, 2020, the related statement of operations for the year ended September 30, 2020, the statement of changes in net assets for each of the two years in the period ended September 30, 2020, including the related notes, and the financial highlights for each of the five years in the period ended September 30, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended September 30, 2020 and the financial highlights for each of the five years in the period ended September 30, 2020 in conformity with accounting principles generally accepted in the United States of America.

## Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of September 30, 2020 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
November 12, 2020

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

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### **Special 2020 tax information (unaudited) for Vanguard Strategic Equity Fund**

This information for the fiscal year ended September 30, 2020, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$116,719,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

The fund distributed \$81,744,000 of qualified dividend income to shareholders during the fiscal year.

For corporate shareholders, 83.4% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

The fund distributed \$15,282,000 of qualified business income to shareholders during the fiscal year.

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# The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 213 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. That information, as well as the Vanguard fund count, is as of the date on the cover of this fund report. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at [vanguard.com](http://vanguard.com).

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

### **Mortimer J. Buckley**

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chairman of the board (2019–present) of Vanguard and of each of the investment companies served by Vanguard; chief executive officer (2018–present) of Vanguard; chief executive officer, president, and trustee (2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) and trustee (2009–2017) of the Children's Hospital of Philadelphia; and trustee (2018–present) and vice chair (2019–present) of The Shipley School.

## Independent Trustees

### **Emerson U. Fullwood**

Born in 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). Former president of the Worldwide Channels Group, Latin America, and

Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. Executive in residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology. Director of SPX FLOW, Inc. (multi-industry manufacturing). Director of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

### **Amy Gutmann**

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) 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.

### **F. Joseph Loughrey**

Born in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Chairman of the board of Hillenbrand, Inc. (specialized consumer services) and the Lumina Foundation. Director of the V Foundation. Member of the advisory

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

council for the College of Arts and Letters and chair of the advisory board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

#### **Mark Loughridge**

Born in 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) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

#### **Scott C. Malpass**

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (retired June 2020) and vice president (retired June 2020) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee (retired June 2020). Member of the board of Catholic Investment Services, Inc. (investment advisors) and the board of superintendence of the Institute for the Works of Religion.

#### **Deanna Mulligan**

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: board chair (2020–present), chief executive officer (2011–2020), and president (2010–2019) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of the individual life and disability division of Guardian Life. Member of the board of the American Council of Life Insurers and the board of the Economic Club of New York. Trustee of the Partnership for New York City (business leadership), Chief Executives for Corporate Purpose, NewYork-Presbyterian Hospital, Catalyst, and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

#### **André F. Perold**

Born in 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 co-managing partner of HighVista Strategies (private investment firm). Member of the board of advisors and member of the investment committee of the Museum of Fine Arts Boston. Member of the board (2018–present) of RIT Capital Partners (investment firm). Member of the investment committee of Partners Health Care System.

#### **Sarah Bloom Raskin**

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director (2017–present) of i(x) Investments, LLC; director (2017–present) of Reserve Trust. Rubenstein Fellow (2017–present) of Duke University; trustee (2017–present) of Amherst College, and trustee (2019–present) of the Folger Shakespeare Library.

#### **Peter F. Volanakis**

Born in 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) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). Chairman of the board of trustees of Colby-Sawyer College. Member of the board of Hypertherm Inc. (industrial cutting systems, software, and consumables).

## Executive Officers

### John Bendl

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2019–present) of each of the investment companies served by Vanguard. Chief accounting officer, treasurer, and controller of Vanguard (2017–present). Partner (2003–2016) at KPMG (audit, tax, and advisory services).

### Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG (audit, tax, and advisory services).

### David Cermak

Born in 1960. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present) of each of the investment companies served by Vanguard. Managing director and head (2017–present) of Vanguard Investments Singapore. Managing director and head (2017–2019) of Vanguard Investments Hong Kong. Representative director and head (2014–2017) of Vanguard Investments Japan.

### John Galloway

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

### Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present), chief financial officer (2008–2019), and treasurer (1998–2008) of each of the investment companies served by Vanguard.

### Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

### Anne E. Robinson

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

### Michael Rollings

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

### John E. Schadt

Born in 1972. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2019–present) of Vanguard and of each of the investment companies served by Vanguard. Assistant vice president (2019–present) of Vanguard Marketing Corporation.

## Vanguard Senior Management Team

### Joseph Brennan

Mortimer J. Buckley

Gregory Davis

John James

John T. Marcante

Chris D. McIsaac

James M. Norris

Thomas M. Rampulla

Karin A. Risi

Anne E. Robinson

Michael Rollings

Lauren Valente



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All comparative mutual fund data are from Morningstar, Inc., unless otherwise noted.

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, [www.sec.gov](http://www.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 [www.sec.gov](http://www.sec.gov).

You can review information about your fund on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to [publicinfo@sec.gov](mailto:publicinfo@sec.gov).

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