

**Semiannual Report** | March 31, 2021

# Vanguard Strategic Equity Fund

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# 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 March 31, 2021

Strategic Equity Fund	Beginning Account Value 9/30/2020	Ending Account Value 3/31/2021	Expenses Paid During Period
Based on Actual Fund Return	\$1,000.00	\$1,389.13	\$1.01
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.08	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 (182/365).

# Strategic Equity Fund

## Fund Allocation

As of March 31, 2021

Communication Services	4.0%
Consumer Discretionary	13.5
Consumer Staples	2.9
Energy	3.4
Financials	14.3
Health Care	13.6
Industrials	14.8
Information Technology	17.4
Materials	5.6
Real Estate	7.5
Utilities	3.0

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 (unaudited)

## Schedule of Investments

As of March 31, 2021

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 (99.3%)</b>					
<b>Communication Services (4.0%)</b>					
* Match Group Inc.	294,429	40,449	* Deckers Outdoor Corp.	73,930	24,428
News Corp. Class B	1,254,970	29,442	* Meritage Homes Corp.	258,620	23,772
* Take-Two Interactive Software Inc.	162,017	28,628	* AutoNation Inc.	254,305	23,706
Omnicom Group Inc.	354,916	26,317	* Newell Brands Inc.	845,312	22,637
News Corp. Class A	928,577	23,614	Tractor Supply Co.	113,982	20,184
New York Times Co. Class A	443,880	22,469	Service Corp. International	379,750	19,386
* Zillow Group Inc. Class A	135,982	17,865	* Bloomin' Brands Inc.	701,996	18,989
* Discovery Inc. Class C	477,791	17,626	* Autoliv Inc.	197,928	18,368
* Yelp Inc. Class A	433,011	16,887	* Planet Fitness Inc. Class A	232,675	17,986
* Liberty Global plc Class C	502,130	12,824	* At Home Group Inc.	610,050	17,508
* Bandwidth Inc. Class A	85,016	10,775	* Wayfair Inc.	53,173	16,736
* Liberty Global plc Class A	389,423	9,993	* Signet Jewelers Ltd.	284,189	16,477
* Roku Inc.	24,002	7,819	Travel & Leisure Co.	260,159	15,911
* Cargurus Inc.	316,637	7,545	* Bed Bath & Beyond Inc.	542,248	15,807
* MSG Networks Inc.	486,278	7,314	* Terminix Global Holdings Inc.	328,449	15,657
* Playtika Holding Corp.	238,320	6,485	* Penn National Gaming Inc.	148,169	15,534
* Pinterest Inc. Class A	72,971	5,402	* Stamps.com Inc.	77,147	15,392
Sinclair Broadcast Group Inc. Class A	134,390	3,932	Camping World Holdings Inc. Class A	413,404	15,040
TEGNA Inc.	143,781	2,707	Qurate Retail Group Inc. QVC Group Class A	1,162,952	13,676
* EverQuote Inc. Class A	67,785	2,460	* L Brands Inc.	201,341	12,455
* Vonage Holdings Corp.	170,798	2,019	Tempur Sealy International Inc.	314,713	11,506
* ANGI Homeservices Inc. Class A	142,899	1,858	* NVR Inc.	2,394	11,278
		<b>304,430</b>	* Domino's Pizza Inc.	29,109	10,706
			* Dine Brands Global Inc.	115,237	10,375
			* Tapestry Inc.	232,216	9,570
			Big Lots Inc.	132,127	9,024
			Wingstop Inc.	70,230	8,931
<b>Consumer Discretionary (13.4%)</b>			* Tupperware Brands Corp.	326,824	8,631
Best Buy Co. Inc.	526,005	60,391	Kohl's Corp.	137,566	8,200
PulteGroup Inc.	949,315	49,782	Whirlpool Corp.	35,676	7,861
Rent-A-Center Inc.	855,846	49,348	* Abercrombie & Fitch Co.	227,884	7,819
Polaris Inc.	322,417	43,043	* GameStop Corp. Class A	39,699	7,536
Brunswick Corp.	378,937	36,139	* Grand Canyon Education Inc.	66,513	7,124
H&R Block Inc.	1,646,810	35,900	* DraftKings Inc. Class A	113,340	6,951
Darden Restaurants Inc.	224,307	31,852	* LKQ Corp.	160,257	6,784
* Etsy Inc.	148,845	30,018	* Red Rock Resorts Inc. Class A	206,175	6,719
* Adient plc	663,884	29,344			
Genentex Corp.	755,313	26,942			
Papa John's International Inc.	303,019	26,860			

Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Williams-Sonoma Inc.	37,132	6,654	* Sprouts Farmers Market Inc.	98,360	2,618
* Brinker International Inc.	88,880	6,316	Flowers Foods Inc.	103,174	2,456
Jack in the Box Inc.	54,787	6,015			<b>217,917</b>
* Peloton Interactive Inc.			<b>Energy (3.4%)</b>		
Class A	45,997	5,172	Halliburton Co.	1,531,846	32,873
* Skyline Champion Corp.	113,553	5,139	Targa Resources Corp.	748,646	23,770
* Groupon Inc. Class A	97,039	4,905	APA Corp.	1,204,556	21,562
* Boyd Gaming Corp.	82,147	4,843	* Renewable Energy Group Inc.	307,576	20,312
* WW International Inc.	133,568	4,178	* Southwestern Energy Co.	4,342,191	20,191
Group 1 Automotive Inc.	25,662	4,049	Cimarex Energy Co.	328,969	19,538
Churchill Downs Inc.	17,500	3,980	* NOV Inc.	1,301,412	17,855
Cracker Barrel Old Country Store Inc.	22,934	3,965	Devon Energy Corp.	777,354	16,985
* frontdoor Inc.	68,409	3,677	Plains GP Holdings LP Class A	1,562,567	14,688
* Scientific Games Corp.	94,847	3,654	Pioneer Natural Resources Co.	88,658	14,081
* Sleep Number Corp.	25,074	3,598	Texas Pacific Land Corp.	6,486	10,309
Aaron's Co. Inc.	136,960	3,517	* PDC Energy Inc.	191,347	6,582
Wyndham Hotels & Resorts Inc.	47,655	3,325	TechnipFMC plc	842,399	6,503
* Sonos Inc.	85,621	3,208	* Cheniere Energy Inc.	89,016	6,410
* Fossil Group Inc.	258,629	3,207	Occidental Petroleum Corp.	223,030	5,937
* Century Communities Inc.	52,691	3,178	* Range Resources Corp.	497,391	5,138
Shutterstock Inc.	34,839	3,102	Antero Midstream Corp.	528,450	4,772
* YETI Holdings Inc.	41,843	3,021	* Magnolia Oil & Gas Corp. Class A	413,331	4,745
* Carter's Inc.	33,725	2,999	* Callon Petroleum Co.	83,028	3,201
* GoPro Inc. Class A	245,961	2,863	* Northern Oil and Gas Inc.	212,033	2,561
* Overstock.com Inc.	42,811	2,837	Nabors Industries Ltd.	22,595	2,112
* Asbury Automotive Group Inc.	13,958	2,743			<b>260,125</b>
		<b>1,018,428</b>	<b>Financials (14.2%)</b>		
<b>Consumer Staples (2.9%)</b>			Fifth Third Bancorp	1,594,820	59,726
Campbell Soup Co.	834,944	41,973	Regions Financial Corp.	2,632,193	54,381
Conagra Brands Inc.	689,737	25,934	Primerica Inc.	346,573	51,230
* TreeHouse Foods Inc.	405,298	21,173	LPL Financial Holdings Inc.	352,284	50,081
* Herbalife Nutrition Ltd.	476,048	21,117	First Horizon Corp.	2,954,250	49,956
Bunge Ltd.	228,679	18,127	Walker & Dunlop Inc.	436,623	44,859
Ingles Markets Inc. Class A	204,811	12,627	Jefferies Financial Group Inc.	1,317,454	39,655
Casey's General Stores Inc.	57,123	12,349	Ally Financial Inc.	867,000	39,197
Medifast Inc.	56,426	11,952	Zions Bancorp NA	642,037	35,286
* BJ's Wholesale Club Holdings Inc.	227,546	10,208	First American Financial Corp.	586,074	33,201
Edgewell Personal Care Co.	218,300	8,645	Hanover Insurance Group Inc.	211,624	27,397
J M Smucker Co.	63,876	8,082	Unum Group	926,164	25,775
* USANA Health Sciences Inc.	50,963	4,974	Cullen/Frost Bankers Inc.	233,740	25,422
* Boston Beer Co. Inc. Class A	3,435	4,144	Umpqua Holdings Corp.	1,334,441	23,420
* United Natural Foods Inc.	120,695	3,976	KeyCorp	1,136,303	22,703
* Hain Celestial Group Inc.	89,745	3,913	MGIC Investment Corp.	1,610,341	22,303
Sanderson Farms Inc.	23,425	3,649			

Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Assured Guaranty Ltd.	518,174	21,908	Hartford Financial		
Evercore Inc. Class A	152,847	20,136	Services Group Inc.	55,650	3,717
SLM Corp.	1,110,522	19,956	*^ Freedom Holding Corp./		
Fidelity National Financial			NV	40,654	2,169
Inc.	482,766	19,629	White Mountains		
* Cannae Holdings Inc.	466,601	18,487	Insurance Group Ltd.	1,880	2,096
Navient Corp.	1,252,359	17,921	* Encore Capital Group Inc.	44,197	1,778
CNO Financial Group Inc.	709,770	17,240			
Prosperity Bancshares					<b>1,079,115</b>
Inc.	220,982	16,549	<b>Health Care (13.5%)</b>		
Virtu Financial Inc.			* Charles River Laboratories		
Class A	528,878	16,422	International Inc.	198,422	57,509
* NMI Holdings Inc.			* Medpace Holdings Inc.	306,383	50,262
Class A	647,763	15,313	* Tenet Healthcare Corp.	951,535	49,480
Globe Life Inc.	157,157	15,186	* DaVita Inc.	393,122	42,367
PROG Holdings Inc.	340,489	14,740	Cardinal Health Inc.	691,329	41,998
* Bighthouse Financial Inc.	323,445	14,313	Bruker Corp.	640,895	41,197
Nasdaq Inc.	92,599	13,655	* Chemed Corp.	80,801	37,154
Huntington Bancshares			* Mettler-Toledo		
Inc.	831,096	13,065	International Inc.	29,467	34,055
First Hawaiian Inc.	454,081	12,428	* Veeva Systems Inc.		
Bank OZK	295,972	12,091	Class A	128,731	33,630
Flagstar Bancorp Inc.	256,060	11,548	Universal Health Services		
Federal Agricultural			Inc. Class B	246,769	32,916
Mortgage Corp. Class C	113,316	11,413	West Pharmaceutical		
Cboe Global Markets Inc.	109,172	10,774	Services Inc.	109,106	30,744
MarketAxess Holdings Inc.	21,301	10,606	* Incyte Corp.	373,730	30,373
Stifel Financial Corp.	160,976	10,312	* Laboratory Corp. of		
Erie Indemnity Co.			America Holdings	110,925	28,289
Class A	43,564	9,624	* IQVIA Holdings Inc.	135,568	26,184
New York Community			* Hologic Inc.	341,690	25,415
Bancorp Inc.	754,374	9,520	Dentsply Sirona Inc.	386,684	24,674
Universal Insurance			* Henry Schein Inc.	333,813	23,113
Holdings Inc.	659,073	9,451	* United Therapeutics		
Popular Inc.	134,035	9,425	Corp.	131,359	21,972
FactSet Research			* Myriad Genetics Inc.	693,834	21,127
Systems Inc.	28,696	8,855	* ImmunoGen Inc.	2,539,191	20,567
Nelnet Inc. Class A	121,261	8,821	* Novocure Ltd.	141,267	18,673
International Bancshares			* Emergent BioSolutions		
Corp.	189,195	8,782	Inc.	163,368	15,178
FNB Corp.	675,910	8,584	* Alkermes plc	763,311	14,259
Synchrony Financial	206,283	8,388	* Novavax Inc.	78,629	14,256
Kinsale Capital Group Inc.	50,260	8,283	* Corcept Therapeutics Inc.	574,863	13,676
American Equity			* Enanta Pharmaceuticals		
Investment Life Holding			Inc.	274,611	13,544
Co.	253,342	7,988	* Syneos Health Inc.	178,358	13,528
East West Bancorp Inc.	107,625	7,943	* Pacific Biosciences of		
Brightsphere Investment			California Inc.	387,657	12,913
Group Inc.	352,873	7,192	* Haemonetics Corp.	107,851	11,972
Associated Banc-Corp	242,933	5,184	* Alnylam Pharmaceuticals		
PacWest Bancorp	116,503	4,445	Inc.	79,580	11,236
Santander Consumer			* Quidel Corp.	85,917	10,991
USA Holdings Inc.	159,322	4,311	* Sarepta Therapeutics Inc.	140,571	10,477
Kemper Corp.	53,620	4,275	* MacroGenics Inc.	326,422	10,397
			* Avantor Inc.	346,552	10,026



Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Bluebird Bio Inc.	321,546	9,695	* CACI International Inc.		
* CareDx Inc.	138,202	9,410	Class A	135,075	33,318
* Acceleron Pharma Inc.	63,495	8,611	AGCO Corp.	229,291	32,938
Owens & Minor Inc.	217,415	8,173	* MasTec Inc.	345,939	32,414
PerkinElmer Inc.	63,186	8,106	Robert Half International Inc.	365,107	28,504
* Endo International plc	974,466	7,221	* Builders FirstSource Inc.	506,253	23,475
* Waters Corp.	24,962	7,093	Rush Enterprises Inc.		
* BioMarin Pharmaceutical Inc.	89,114	6,729	Class A	466,018	23,222
* Intercept Pharmaceuticals Inc.	289,621	6,684	Wabash National Corp.	1,221,552	22,965
Cooper Cos. Inc.	16,834	6,466	ManTech International Corp. Class A	262,949	22,863
* Akemia Therapeutics Inc.	1,833,311	6,206	Landstar System Inc.	135,972	22,444
* Catalent Inc.	57,236	6,027	TransUnion	214,241	19,282
* Prestige Consumer Healthcare Inc.	130,786	5,765	Werner Enterprises Inc.	407,112	19,203
* Natera Inc.	56,313	5,718	* United Rentals Inc.	53,169	17,509
Bio-Techne Corp.	14,521	5,546	Quanta Services Inc.	198,426	17,458
* MEDNAX Inc.	201,885	5,142	UFP Industries Inc.	220,236	16,703
* Viatrix Inc.	360,112	5,031	Oshkosh Corp.	139,692	16,576
* Puma Biotechnology Inc.	491,191	4,774	JB Hunt Transport Services Inc.	97,255	16,346
* Exact Sciences Corp.	35,433	4,669	* Upwork Inc.	359,167	16,080
Luminex Corp.	138,555	4,420	Fortune Brands Home & Security Inc.	159,863	15,318
Quest Diagnostics Inc.	31,881	4,092	ManpowerGroup Inc.	154,716	15,301
* Jazz Pharmaceuticals plc	22,494	3,697	* Atkore Inc.	209,672	15,075
* Ionis Pharmaceuticals Inc.	81,687	3,673	Herman Miller Inc.	361,617	14,881
* Amedisys Inc.	13,648	3,614	Dover Corp.	100,114	13,729
* Exelixis Inc.	153,930	3,477	Hubbell Inc. Class B	67,011	12,524
* Sangamo Therapeutics Inc.	247,844	3,105	* SkyWest Inc.	229,025	12,477
* Nevro Corp.	20,416	2,848	* AeroVironment Inc.	107,289	12,452
* LHC Group Inc.	14,626	2,797	Old Dominion Freight Line Inc.	51,138	12,294
* iRhythm Technologies Inc.	19,525	2,711	Triton International Ltd.	219,758	12,085
Ensign Group Inc.	27,638	2,594	Tetra Tech Inc.	83,174	11,288
* Castle Biosciences Inc.	31,955	2,188	Allegion plc	87,938	11,047
* Turning Point Therapeutics Inc.	20,356	1,925	* Beacon Roofing Supply Inc.	208,934	10,931
* Translate Bio Inc.	94,358	1,556	Fastenal Co.	186,921	9,398
*^ Co-Diagnostics Inc.	156,038	1,489	* Aecom	142,934	9,164
		<b>1,025,404</b>	* Acuity Brands Inc.	49,476	8,164
<b>Industrials (14.7%)</b>			Nielsen Holdings plc	324,232	8,154
Owens Corning	638,298	58,781	* Avis Budget Group Inc.	111,254	8,070
Masco Corp.	920,449	55,135	* SiteOne Landscape Supply Inc.	45,752	7,812
WW Grainger Inc.	136,785	54,841	Ryder System Inc.	98,886	7,481
Expeditors International of Washington Inc.	507,572	54,660	GrafTech International Ltd.	567,373	6,939
Booz Allen Hamilton Holding Corp. Class A	558,975	45,014	* Alaska Air Group Inc.	98,458	6,814
* Generac Holdings Inc.	132,608	43,422	* TrueBlue Inc.	307,669	6,775
Allison Transmission Holdings Inc.	973,773	39,759	MSC Industrial Direct Co. Inc. Class A	73,700	6,647
* Meritor Inc.	1,166,905	34,330	Watsco Inc.	24,885	6,489
Huntington Ingalls Industries Inc.	166,610	34,297	ADT Inc.	752,520	6,351

Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Atlas Air Worldwide Holdings Inc.	101,372	6,127	CSG Systems International Inc.	329,294	14,782
Ennis Inc.	238,646	5,095	* Ultra Clean Holdings Inc.	254,656	14,780
Pitney Bowes Inc.	554,896	4,572	* Enphase Energy Inc.	84,641	13,725
Carrier Global Corp.	108,021	4,561	MAXIMUS Inc.	151,243	13,467
* Sensata Technologies Holding plc	73,923	4,284	MKS Instruments Inc.	69,945	12,969
* Allegiant Travel Co. Class A	16,230	3,961	* Elastic NV	113,811	12,656
EMCOR Group Inc.	31,766	3,563	* Proofpoint Inc.	97,616	12,279
* Dycom Industries Inc.	37,125	3,447	* DXC Technology Co.	388,604	12,148
* Quad/Graphics Inc.	845,269	2,984	Citrix Systems Inc.	83,230	11,682
Wabtec Corp.	35,452	2,806	SYNNEX Corp.	92,168	10,585
Boise Cascade Co.	42,891	2,566	Alliance Data Systems Corp.	84,430	9,464
Donaldson Co. Inc.	38,308	2,228	* SolarEdge Technologies Inc.	31,973	9,190
Timken Co.	26,550	2,155	* SMART Global Holdings Inc.	192,086	8,840
		<b>1,117,548</b>	Kulicke & Soffa Industries Inc.	170,077	8,353
<b>Information Technology (17.2%)</b>			* First Solar Inc.	88,982	7,768
* Cadence Design Systems Inc.	528,281	72,369	* Alarm.com Holdings Inc.	80,310	6,937
* Fortinet Inc.	378,874	69,872	Brooks Automation Inc.	82,386	6,727
Jabil Inc.	1,053,551	54,953	* Arrow Electronics Inc.	60,137	6,664
CDW Corp.	315,924	52,364	* MACOM Technology Solutions Holdings Inc.	111,598	6,475
* Dropbox Inc. Class A	1,903,787	50,755	* Lattice Semiconductor Corp.	140,722	6,335
Amkor Technology Inc.	2,048,241	48,564	* Mimecast Ltd.	150,702	6,060
* Box Inc.	2,058,263	47,258	* Ciena Corp.	103,139	5,644
* Synaptics Inc.	323,216	43,770	* Verint Systems Inc.	116,939	5,320
* Manhattan Associates Inc.	369,650	43,390	* Cohu Inc.	119,026	4,980
Avnet Inc.	950,076	39,438	* Tenable Holdings Inc.	136,055	4,923
* Synopsys Inc.	153,752	38,097	* SunPower Corp.	134,848	4,511
* Zebra Technologies Corp.	76,777	37,251	* Digital Turbine Inc.	53,657	4,312
* Teradata Corp.	959,098	36,964	* Cloudera Inc.	351,709	4,280
Seagate Technology plc	447,024	34,309	* FireEye Inc.	192,059	3,759
Western Digital Corp.	468,723	31,287	* Nutanix Inc.	139,315	3,700
* EPAM Systems Inc.	77,615	30,789	* Avalara Inc.	26,202	3,496
* Five9 Inc.	187,610	29,329	* Plantronics Inc.	88,455	3,442
* Flex Ltd.	1,578,995	28,911	* Calix Inc.	92,409	3,203
* Cirrus Logic Inc.	328,734	27,873	* SPS Commerce Inc.	26,074	2,589
GoDaddy Inc. Class A	358,740	27,845			<b>1,311,236</b>
* Unisys Corp.	1,026,982	26,106	<b>Materials (5.6%)</b>		
Monolithic Power Systems Inc.	73,109	25,823	Louisiana-Pacific Corp.	965,826	53,565
* Avaya Holdings Corp.	784,488	21,989	Avery Dennison Corp.	269,209	49,440
* Advanced Micro Devices Inc.	261,094	20,496	Huntsman Corp.	1,272,941	36,699
* Zendesk Inc.	153,215	20,319	Reliance Steel & Aluminum Co.	238,919	36,385
* Fair Isaac Corp.	39,005	18,958	Sealed Air Corp.	620,873	28,448
* CommScope Holding Co. Inc.	1,124,352	17,270	Nucor Corp.	306,421	24,596
* Trade Desk Inc. Class A	26,360	17,178	Ball Corp.	286,455	24,274
* Domo Inc.	293,265	16,508	Royal Gold Inc.	206,717	22,247
* Workiva Inc. Class A	171,723	15,156	Commercial Metals Co.	617,502	19,044

Strategic Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Axalta Coating Systems Ltd.	542,843	16,057	Lamar Advertising Co. Class A	163,825	15,386
Element Solutions Inc.	865,659	15,833	* Outfront Media Inc.	498,118	10,874
* Coeur Mining Inc.	1,580,432	14,271	^ Tanger Factory Outlet Centers Inc.	707,349	10,702
Greif Inc. Class A	227,245	12,953	Uniti Group Inc.	901,174	9,940
Avient Corp.	267,311	12,636	SL Green Realty Corp.	114,760	8,032
Mosaic Co.	334,444	10,572	Regency Centers Corp.	123,027	6,977
* O-I Glass Inc.	609,421	8,983	^ GEO Group Inc.	865,976	6,720
Celanese Corp. Class A	54,285	8,132	Universal Health Realty Income Trust	92,253	6,253
* Alcoa Corp.	198,956	6,464	Diversified Healthcare Trust	1,238,709	5,921
Olin Corp.	165,647	6,290	Piedmont Office Realty Trust Inc. Class A	311,604	5,413
Sensient Technologies Corp.	64,019	4,994	Healthcare Trust of America Inc. Class A	147,583	4,070
Domtar Corp.	100,946	3,730	PotlatchDeltic Corp.	71,205	3,768
* TimkenSteel Corp.	312,549	3,672	Duke Realty Corp.	84,717	3,552
Cabot Corp.	62,127	3,258	Healthcare Realty Trust Inc.	102,134	3,097
		<b>422,543</b>	^ Macerich Co.	154,254	1,805
<b>Real Estate (7.4%)</b>					<b>562,874</b>
Iron Mountain Inc.	1,219,445	45,132	<b>Utilities (3.0%)</b>		
Sabra Health Care REIT Inc.	2,215,658	38,464	AES Corp.	2,166,745	58,090
Gaming and Leisure Properties Inc.	820,223	34,802	Vistra Corp.	1,999,569	35,352
MGM Growth Properties LLC Class A	1,029,498	33,582	CenterPoint Energy Inc.	850,776	19,270
Mid-America Apartment Communities Inc.	224,565	32,418	CMS Energy Corp.	296,524	18,153
* Redfin Corp.	481,551	32,066	NRG Energy Inc.	436,543	16,471
Life Storage Inc.	358,421	30,806	OGE Energy Corp.	498,980	16,147
VICI Properties Inc.	988,132	27,905	Pinnacle West Capital Corp.	163,044	13,264
Brixmor Property Group Inc.	1,135,720	22,976	NextEra Energy Partners LP	140,254	10,222
VEREIT Inc.	587,852	22,703	Entergy Corp.	95,111	9,461
Lexington Realty Trust	1,855,303	20,612	Eergy Inc.	153,072	9,112
Spirit Realty Capital Inc.	446,202	18,964	UGI Corp.	188,359	7,725
Omega Healthcare Investors Inc.	496,567	18,189	Hawaiian Electric Industries Inc.	156,894	6,971
American Homes 4 Rent Class A	523,851	17,465	National Fuel Gas Co.	110,551	5,526
Invitation Homes Inc.	517,107	16,542	American States Water Co.	39,964	3,022
Brandywine Realty Trust	1,278,843	16,510			<b>228,786</b>
National Health Investors Inc.	216,161	15,624			
* Xenia Hotels & Resorts Inc.	800,179	15,604	<b>Total Common Stocks (Cost \$5,311,743)</b>		<b>7,548,406</b>

## Strategic Equity Fund

	Shares	Market Value* (\$000)
<b>Temporary Cash Investments (0.8%)</b>		
<b>Money Market Fund (0.8%)</b>		
1,2 Vanguard Market Liquidity Fund, 0.081%	617,705	61,770
	Face Amount (\$000)	
<b>U.S. Government and Agency Obligations (0.0%)</b>		
United States Treasury Bill, 0.020%, 8/26/21	3,500	3,500
<b>Total Temporary Cash Investments (Cost \$65,261)</b>		<b>65,270</b>
<b>Total Investments (100.1%) (Cost \$5,377,004)</b>		<b>7,613,676</b>
<b>Other Assets and Liabilities—Net (-0.1%)</b>		<b>(10,253)</b>
<b>Net Assets (100%)</b>		<b>7,603,423</b>

Cost is in \$000.

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

<sup>1</sup> Includes partial security positions on loan to broker-dealers.

The total value of securities on loan is \$13,152,000.

<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.

<sup>2</sup> Collateral of \$13,614,000 was received for securities on loan.

REIT—Real Estate Investment Trust.

## Derivative Financial Instruments Outstanding as of Period End

### Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation) (\$000)
<b>Long Futures Contracts</b>				
E-mini S&P 500 Index	June 2021	107	21,226	167
E-mini Russell 2000 Index	June 2021	191	21,225	(495)
E-mini S&P Mid-Cap 400 Index	June 2021	49	12,766	(352)
				<b>(680)</b>

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

# Statement of Assets and Liabilities

As of March 31, 2021

(\$000s, except shares and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$5,315,243)	7,551,906
Affiliated Issuers (Cost \$61,761)	61,770
Total Investments in Securities	7,613,676
Investment in Vanguard	274
Cash	10
Cash Collateral Pledged—Futures Contracts	3,716
Receivables for Investment Securities Sold	41,996
Receivables for Accrued Income	7,617
Receivables for Capital Shares Issued	3,199
Variation Margin Receivable—Futures Contracts	469
<b>Total Assets</b>	<b>7,670,957</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	3
Collateral for Securities on Loan	13,614
Payables for Capital Shares Redeemed	53,635
Payables to Vanguard	282
<b>Total Liabilities</b>	<b>67,534</b>
<b>Net Assets</b>	<b>7,603,423</b>

At March 31, 2021, net assets consisted of:

Paid-in Capital	4,779,107
Total Distributable Earnings (Loss)	2,824,316
<b>Net Assets</b>	<b>7,603,423</b>
<b>Net Assets</b>	
Applicable to 183,810,161 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	7,603,423
<b>Net Asset Value Per Share</b>	<b>\$41.37</b>

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

## Statement of Operations

	Six Months Ended March 31, 2021
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends	43,404
Interest <sup>1</sup>	18
Securities Lending—Net	1,496
Total Income	44,918
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	778
Management and Administrative	4,740
Marketing and Distribution	247
Custodian Fees	19
Shareholders' Reports	10
Trustees' Fees and Expenses	1
Total Expenses	5,795
<b>Net Investment Income</b>	<b>39,123</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>1</sup>	598,756
Futures Contracts	10,071
<b>Realized Net Gain (Loss)</b>	<b>608,827</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	1,543,305
Futures Contracts	(307)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>1,542,998</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>2,190,948</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$16,000, \$6,000, and (\$6,000), respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Six Months Ended March 31, 2021	Year Ended September 30, 2020
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	39,123	96,847
Realized Net Gain (Loss)	608,827	20,999
Change in Unrealized Appreciation (Depreciation)	1,542,998	(281,308)
Net Increase (Decrease) in Net Assets Resulting from Operations	2,190,948	(163,462)
<b>Distributions</b>		
Total Distributions	(118,963)	(213,745)
<b>Capital Share Transactions</b>		
Issued	408,949	570,926
Issued in Lieu of Cash Distributions	110,108	199,995
Redeemed	(823,916)	(1,655,893)
Net Increase (Decrease) from Capital Share Transactions	(304,859)	(884,972)
Total Increase (Decrease)	1,767,126	(1,262,179)
<b>Net Assets</b>		
Beginning of Period	5,836,297	7,098,476
End of Period	7,603,423	5,836,297

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

## Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended March 31, 2021	Year Ended September 30,				
	2021	2020	2019	2018	2017	2016
<b>Net Asset Value, Beginning of Period</b>	<b>\$30.31</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	.209 <sup>1</sup>	.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	11.493	(1.041)	(2.980)	4.781	4.988	2.440
Total from Investment Operations	11.702	(.582)	(2.531)	5.173	5.492	3.064
<b>Distributions</b>						
Dividends from Net Investment Income	(.479)	(.444)	(.395)	(.460)	(.509)	(.507)
Distributions from Realized Capital Gains	(.163)	(.534)	(2.414)	(2.393)	(.503)	(2.967)
Total Distributions	(.642)	(.978)	(2.809)	(2.853)	(1.012)	(3.474)
<b>Net Asset Value, End of Period</b>	<b>\$41.37</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>38.91%</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)	\$7,603	\$5,836	\$7,098	\$7,946	\$7,051	\$6,046
Ratio of Total Expenses to Average Net Assets	0.17%	0.17%	0.17%	0.17%	0.18%	0.18%
Ratio of Net Investment Income to Average Net Assets	1.23%	1.53%	1.42%	1.10%	1.53%	2.09%
Portfolio Turnover Rate	26%	61%	60%	82%	81%	74%

The expense ratio and net investment income ratio for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 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 six months ended March 31, 2021, the fund's average investments in long and short futures contracts represented 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 six months ended March 31, 2021, the fund did not utilize the credit facilities or the Interfund Lending Program.

7. Other: Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair value of the securities received. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. 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 March 31, 2021, the fund had contributed to Vanguard capital in the amount of \$274,000, representing less than 0.01% of the fund's net assets and 0.11% 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 March 31, 2021, 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	7,548,406	—	—	7,548,406
Temporary Cash Investments	61,770	3,500	—	65,270
Total	7,610,176	3,500	—	7,613,676
<b>Derivative Financial Instruments</b>				
<b>Liabilities</b>				
Futures Contracts <sup>1</sup>	680	—	—	680

<sup>1</sup> Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

D. As of March 31, 2021, 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	5,377,004
Gross Unrealized Appreciation	2,422,039
Gross Unrealized Depreciation	(186,047)
Net Unrealized Appreciation (Depreciation)	2,235,992

E. During the six months ended March 31, 2021, the fund purchased \$1,695,603,000 of investment securities and sold \$2,083,903,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended March 31, 2021	Year Ended September 30, 2020
	Shares (000)	Shares (000)
Issued	10,808	20,190
Issued in Lieu of Cash Distributions	3,045	6,031
Redeemed	(22,601)	(56,402)
Net Increase (Decrease) in Shares Outstanding	(8,748)	(30,181)

G. Management has determined that no events or transactions occurred subsequent to March 31, 2021, that would require recognition or disclosure in these financial statements.

# Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Strategic Equity Fund has renewed the fund's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard), through its Quantitative Equity Group. The board determined that continuing the fund's internalized management structure was in the best interests of the fund and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

## **Nature, extent, and quality of services**

The board reviewed the quality of the fund's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Vanguard has been managing investments for more than four decades. The Quantitative Equity Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

## **Investment performance**

The board considered the short- and long-term performance of the fund, including any periods of outperformance or underperformance compared with a relevant benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue.

## **Cost**

The board concluded that the fund's expense ratio was well below the average expense ratio charged by funds in its peer group and that the fund's advisory expenses were also well below the peer-group average.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

**The benefit of economies of scale**

The board concluded that the fund's arrangement with Vanguard ensures that the fund will realize economies of scale as it grows, with the cost to shareholders declining as fund assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

# Liquidity Risk Management

Vanguard funds (except for the money market funds) have adopted and implemented a written liquidity risk management program (the “Program”) as required by Rule 22e-4 under the Investment Company Act of 1940. Rule 22e-4 requires that each fund adopt a program that is reasonably designed to assess and manage the fund’s liquidity risk, which is the risk that the fund could not meet redemption requests without significant dilution of remaining investors’ interests in the fund.

Assessment and management of a fund’s liquidity risk under the Program take into consideration certain factors, such as the fund’s investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions, its short- and long-term cash-flow projections during both normal and reasonably foreseeable stressed conditions, and its cash and cash-equivalent holdings and access to other funding sources. As required by the rule, the Program includes policies and procedures for classification of fund portfolio holdings in four liquidity categories, maintaining certain levels of highly liquid investments, and limiting holdings of illiquid investments.

The board of trustees of Vanguard Horizon Funds approved the appointment of liquidity risk management program administrators responsible for administering Vanguard Strategic Equity Fund’s Program and for carrying out the specific responsibilities set forth in the Program, including reporting to the board on at least an annual basis regarding the Program’s operation, its adequacy, and the effectiveness of its implementation for the past year (the “Program Administrator Report”). The board has reviewed the Program Administrator Report covering the period from January 1, 2020, through December 31, 2020 (the “Review Period”). The Program Administrator Report stated that during the Review Period the Program operated and was implemented effectively to manage the fund’s liquidity risk.



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You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](https://www.vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [www.sec.gov](https://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](https://www.vanguard.com/proxyreporting) or [www.sec.gov](https://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).