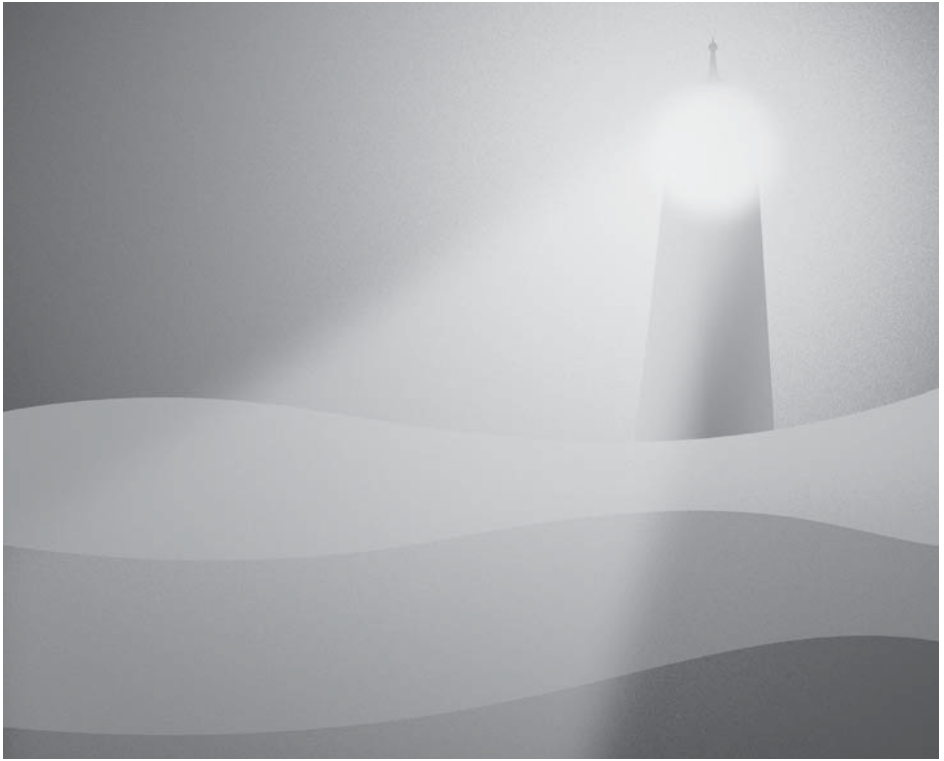




Vanguard[®]



Semiannual Report | July 31, 2018

Vanguard Real Estate Index Funds

Vanguard Real Estate Index Fund

Vanguard Real Estate II Index Fund

Vanguard's Principles for Investing Success

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

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

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

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Real Estate Index Fund
Real Estate II Index Fund

Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

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

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

Your Fund's Performance at a Glance

- For the six months ended July 31, 2018, Vanguard Real Estate Index Fund returned 5.08% for Investor Shares. Returns were a bit higher for ETF, Admiral, and Institutional Shares as well as for Vanguard Real Estate II Index Fund. The results were in line with those of the funds' benchmark index and exceeded the average return of peer funds.
- Specialized REITs, residential REITs, retail REITs, and health care REITs contributed most to the funds' returns.
- As we mentioned in our last report, the funds changed their names on February 1, 2018, to Vanguard Real Estate Index Fund and Vanguard Real Estate II Index Fund and began their transition from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Index. The funds completed the transition to their destination benchmark at the end of July.

Total Returns: Six Months Ended July 31, 2018

	Total Returns
Vanguard Real Estate Index Fund	
Investor Shares	5.08%
ETF Shares	
Market Price	5.12
Net Asset Value	5.13
Admiral™ Shares	5.14
Institutional Shares	5.14
Real Estate Spliced Index	5.18
Real Estate Funds Average	4.06
Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.	
Vanguard Real Estate II Index Fund	5.13%
Real Estate Spliced Index	5.18
Real Estate Funds Average	4.06
Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.	

For a benchmark description, see the Glossary.

Admiral Shares carry lower expenses and are available to investors who meet certain account-balance requirements. Institutional Shares are available to certain institutional investors who meet specific administrative, service, and account-size criteria. The Vanguard ETF® Shares shown are traded on the NYSE Arca exchange and are available only through brokers. The table provides ETF returns based on both the NYSE Arca market price and the net asset value for a share. U.S. Pat. Nos. 6,879,964; 7,337,138; 7,720,749; 7,925,573; 8,090,646; and 8,417,623.

For the ETF Shares, the market price is determined by the midpoint of the bid-offer spread as of the closing time of the New York Stock Exchange (generally 4 p.m., Eastern time). The net asset value is also determined as of the NYSE closing time. For more information about how the ETF Shares' market prices have compared with their net asset value, visit vanguard.com, select your ETF, and then select the Price and Performance tab. The ETF premium/discount analysis there shows the percentages of days on which the ETF Shares' market price was above or below the NAV.

Expense Ratios

Your Fund Compared With Its Peer Group

	Investor Shares	ETF Shares	Admiral Shares	Institutional Shares	Institutional Plus Shares	Peer Group Average
Real Estate Index Fund	0.26%	0.12%	0.12%	0.10%	—	1.25%
Real Estate II Index Fund	—	—	—	—	0.08%	1.25

The fund expense ratios shown for the Real Estate Index Fund and the Real Estate II Index Fund are from the prospectuses dated May 25, 2018, and May 24, 2018, respectively, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the funds' annualized expense ratios were: for the Real Estate Index Fund, 0.26% for Investor Shares, 0.12% for ETF Shares, 0.12% for Admiral Shares, and 0.10% for Institutional Shares; and for the Real Estate II Index Fund, 0.08%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

Peer group: Real Estate Funds.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Shareholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO, I'll keep this priority

front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make

Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,



Mortimer J. Buckley
President and Chief Executive Officer
August 16, 2018

Market Barometer

	Total Returns Periods Ended July 31, 2018		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	0.86%	16.19%	12.96%
Russell 2000 Index (Small-caps)	6.75	18.73	11.33
Russell 3000 Index (Broad U.S. market)	1.30	16.39	12.83
FTSE All-World ex US Index (International)	-6.57	6.19	5.97
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	-0.45%	-0.80%	2.25%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	1.18	0.99	3.76
FTSE Three-Month U.S. Treasury Bill Index	0.83	1.41	0.41
CPI			
Consumer Price Index	1.67%	2.95%	1.53%

Real Estate Index Fund

Fund Profile

As of July 31, 2018

Share-Class Characteristics

	Investor Shares	ETF Shares	Admiral Shares	Institutional Shares
Ticker Symbol	VGSIX	VNQ	VGSLX	VGSNX
Expense Ratio ¹	0.26%	0.12%	0.12%	0.10%

Portfolio Characteristics

	MSCI US IM Real Estate Fund	U.S. Total Market 25/50 Index	DJ U.S. Total Market FA Index
Number of Stocks	186	185	3,766
Median Market Cap	\$13.2B	\$13.2B	\$67.3B
Price/Earnings Ratio	36.1x	36.0x	20.5x
Price/Book Ratio	2.3x	2.4x	3.1x
Return on Equity	6.0%	6.1%	15.0%
Earnings Growth Rate	13.7%	13.6%	8.5%
Dividend Yield	4.0%	3.8%	1.7%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate (Annualized)	26%	—	—
Short-Term Reserves	0.3%	—	—

Dividend Yield: This yield may include some payments that represent a return of capital, capital gains distributions, or both by the underlying REITs. These amounts are determined by each REIT at the end of its fiscal year.

Volatility Measures

	Real Estate Spliced Index	DJ U.S. Total Market FA Index
R-Squared	1.00	0.29
Beta	1.00	0.67

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Ten Largest Holdings (% of total net assets)

Vanguard Real Estate II Index Fund	Other	10.6%
American Tower Corp.	Specialized REITs	5.4
Simon Property Group Inc.	Retail REITs	4.6
Crown Castle International Corp.	Specialized REITs	3.7
Prologis Inc.	Industrial REITs	2.9
Equinix Inc.	Specialized REITs	2.9
Public Storage	Specialized REITs	2.8
Weyerhaeuser Co.	Specialized REITs	2.1
Digital Realty Trust Inc.	Specialized REITs	2.0
AvalonBay Communities Inc.	Residential REITs	2.0
Top Ten		39.0%

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

¹ The expense ratios shown are from the prospectus dated May 25, 2018, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the annualized expense ratios were 0.26% for Investor Shares, 0.12% for ETF Shares, 0.12% for Admiral Shares, and 0.10% for Institutional Shares.

Subindustry Diversification (% of equity exposure)

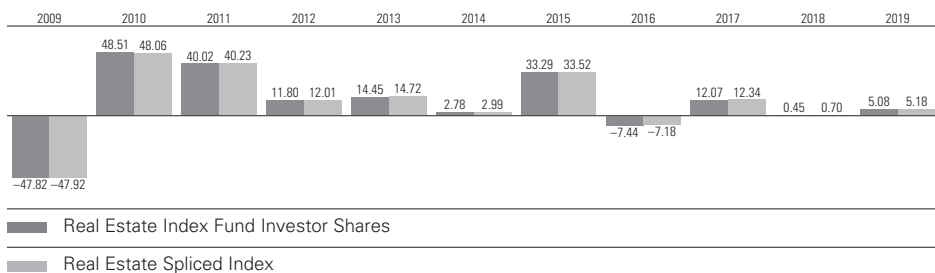
	Fund	MSCI US IM Real Estate 25/50 Index
Diversified REITs	4.6%	4.6%
Diversified Real Estate Activities	0.2	0.2
Health Care REITs	8.7	8.7
Hotel & Resort REITs	5.8	5.8
Industrial REITs	6.6	6.6
Office REITs	10.5	10.5
Real Estate Development	0.6	0.5
Real Estate Operating Companies	0.3	0.3
Real Estate Services	2.9	2.9
Residential REITs	13.1	13.1
Retail REITs	15.5	15.6
Specialized REITs	31.2	31.2

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.

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.) 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.

Fiscal-Year Total Returns (%): January 31, 2008, Through July 31, 2018



For a benchmark description, see the Glossary.

Note: For 2019, performance data reflect the six months ended July 31, 2018.

Average Annual Total Returns: Periods Ended June 30, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years
Investor Shares	5/13/1996	2.13%	7.76%	7.87%
ETF Shares	9/23/2004			
Market Price		2.33	7.92	8.01
Net Asset Value		2.29	7.91	8.01
Admiral Shares	11/12/2001	2.29	7.91	8.01
Institutional Shares	12/2/2003	2.28	7.93	8.03

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2018

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

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (96.3%)¹					
Diversified REITs (4.1%)					
² VEREIT Inc.	48,683,978	371,459	² Medical Properties Trust Inc.	18,302,623	263,741
² WP Carey Inc.	5,368,750	351,009	² Senior Housing Properties Trust	11,904,852	212,382
Liberty Property Trust	7,385,714	316,552	² Sabra Health Care REIT Inc.	8,919,091	192,741
Forest City Realty Trust Inc. Class A	11,334,204	283,015	² Healthcare Realty Trust Inc.	6,260,804	186,008
STORE Capital Corp.	8,752,784	240,264	² National Health Investors Inc.	2,079,718	155,646
Colony Capital Inc.	24,322,102	149,824	Physicians Realty Trust	8,933,013	140,784
PS Business Parks Inc.	1,028,035	131,352	LTC Properties Inc.	1,981,312	83,552
Washington REIT	3,928,734	119,787	CareTrust REIT Inc.	3,802,697	64,304
Empire State Realty Trust Inc.	6,873,861	114,587	Universal Health Realty Income Trust	651,473	43,851
Lexington Realty Trust	10,857,089	95,434	New Senior Investment Group Inc.	4,086,156	28,930
Alexander & Baldwin Inc.	3,409,411	81,655	MedEquities Realty Trust Inc.	1,421,731	15,923
Global Net Lease Inc.	3,357,643	71,048			4,730,207
American Assets Trust Inc.	1,653,400	63,540	Hotel & Resort REITs (5.2%)		
^{*,2} iStar Inc.	3,408,190	37,047	Host Hotels & Resorts Inc.	36,669,316	767,856
Armada Hoffer Properties Inc.	2,263,844	34,184	Park Hotels & Resorts Inc.	10,042,508	314,130
Gladstone Commercial Corp.	1,418,329	28,140	² Hospitality Properties Trust	8,232,053	232,720
One Liberty Properties Inc.	715,373	19,286	RLJ Lodging Trust	8,746,524	197,584
^{§,2} Winthrop Realty Trust	1,892,511	2,742	Apple Hospitality REIT Inc.	10,952,772	197,040
		2,510,925	Ryman Hospitality Properties Inc.	2,309,612	196,340
Health Care REITs (7.8%)			² LaSalle Hotel Properties	5,659,198	196,204
Welltower Inc.	18,491,006	1,157,537	Sunstone Hotel Investors Inc.	11,278,073	183,494
Ventas Inc.	17,785,400	1,002,741	Pebblebrook Hotel Trust	3,451,898	133,071
HCP Inc.	23,451,571	607,396			
[^] Omega Healthcare Investors Inc.	9,924,780	294,667			
Healthcare Trust of America Inc. Class A	10,249,034	280,004			

Real Estate Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Xenia Hotels & Resorts Inc.	5,348,947	130,461	Corporate Office Properties Trust	5,068,428	150,735
² DiamondRock Hospitality Co.	10,035,747	119,626	² Brandywine Realty Trust	8,932,593	147,299
MGM Growth Properties LLC Class A	3,535,744	107,133	² Columbia Property Trust Inc.	6,001,123	139,106
² Chesapeake Lodging Trust	3,026,140	96,897	² Piedmont Office Realty Trust Inc. Class A	6,764,474	133,801
Summit Hotel Properties Inc.	5,212,962	73,763	Mack-Cali Realty Corp.	4,499,690	87,609
* CorePoint Lodging Inc.	2,061,133	52,064	Government Properties Income Trust	4,947,035	74,552
Chatham Lodging Trust	2,293,686	49,406	Select Income REIT	3,358,983	70,035
Hersha Hospitality Trust Class A	1,894,216	40,896	Tier REIT Inc.	2,392,451	56,869
Ashford Hospitality Trust Inc.	4,618,165	36,484	Easterly Government Properties Inc.	2,883,408	54,641
Braemar Hotels & Resorts Inc.	1,439,908	16,458	Franklin Street Properties Corp.	5,346,575	47,103
		3,141,627	NorthStar Realty Europe Corp.	2,483,706	34,002
Industrial REITs (5.9%)			City Office REIT Inc.	1,691,991	21,573
Prologis Inc.	26,622,575	1,746,973	[^] New York REIT Inc.	816,297	15,028
Duke Realty Corp.	17,852,611	519,868			5,695,668
DCT Industrial Trust Inc.	4,689,947	313,617	Other (10.6%)³		
² Gramercy Property Trust	8,043,547	220,313	^{4,5} Vanguard Real Estate II Index Fund	325,763,666	6,439,097
First Industrial Realty Trust Inc.	6,041,015	196,635	Residential REITs (11.7%)		
EastGroup Properties Inc.	1,740,004	165,857	AvalonBay Communities Inc.	6,897,837	1,219,882
STAG Industrial Inc.	4,858,516	132,735	Equity Residential	18,387,880	1,203,119
Rexford Industrial Realty Inc.	3,921,517	120,155	Essex Property Trust Inc.	3,297,510	792,886
Terreno Realty Corp.	2,776,257	102,472	Mid-America Apartment Communities Inc.	5,684,143	572,848
Monmouth Real Estate Investment Corp.	3,689,583	61,505	² UDR Inc.	13,422,453	516,496
		3,580,130	Camden Property Trust	4,636,613	429,304
Office REITs (9.4%)			Sun Communities Inc.	3,993,418	387,202
Boston Properties Inc.	7,713,025	968,216	Equity LifeStyle Properties Inc.	4,223,496	384,296
Alexandria Real Estate Equities Inc.	5,060,878	644,958	Invitation Homes Inc.	15,562,692	359,654
Vornado Realty Trust	8,544,235	614,501	² Apartment Investment & Management Co.	7,876,577	335,936
² SL Green Realty Corp.	4,519,474	466,003	American Homes 4 Rent Class A	12,799,950	283,391
Kilroy Realty Corp.	4,949,182	361,043	American Campus Communities Inc.	6,819,352	281,298
Douglas Emmett Inc.	8,080,751	313,856	Education Realty Trust Inc.	3,788,397	156,688
² Hudson Pacific Properties Inc.	7,853,503	269,061	Independence Realty Trust Inc.	4,246,269	43,100
² Highwoods Properties Inc.	5,187,658	254,766	Preferred Apartment Communities Inc.	1,951,985	33,028
JBG SMITH Properties	5,605,620	204,605			
^{*,2} Equity Commonwealth	6,267,556	202,066			
² Cousins Properties Inc.	21,065,444	196,330			
Paramount Group Inc.	10,874,996	167,910			

Real Estate Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
² Investors Real Estate Trust	5,974,676	32,741	* Retail Value Inc.	785,615	25,957
NexPoint Residential Trust Inc.	892,181	26,712	Whitestone REIT	1,737,087	22,582
UMH Properties Inc.	1,621,482	25,036	^{*,2} Spirit MTA REIT	2,250,232	22,480
Front Yard Residential Corp.	2,509,153	24,238	Cedar Realty Trust Inc.	4,569,840	21,752
			Urstadt Biddle Properties Inc.	47,628	855
		7,107,855			8,378,352
Retail REITs (13.8%)			Specialized REITs (27.8%)		
² Simon Property Group Inc.	15,998,686	2,819,128	American Tower Corp.	22,010,381	3,262,819
Realty Income Corp.	14,198,113	791,829	Crown Castle International Corp.	20,315,190	2,251,532
GGP Inc.	33,461,417	713,397	Equinix Inc.	3,955,417	1,737,536
Federal Realty Investment Trust	3,399,270	426,608	Public Storage	7,821,913	1,703,847
* Regency Centers Corp.	6,682,681	425,219	Weyerhaeuser Co.	37,762,733	1,290,730
Kimco Realty Corp.	20,647,263	344,603	Digital Realty Trust Inc.	10,259,241	1,245,677
[^] National Retail Properties Inc.	7,703,744	343,664	^{*,2} SBA Communications Corp. Class A	5,814,326	920,117
Macerich Co.	5,277,489	311,689	Extra Space Storage Inc.	6,298,346	591,856
Brixmor Property Group Inc.	14,766,037	261,211	Iron Mountain Inc.	13,538,677	475,343
Taubman Centers Inc.	3,045,885	188,997	Gaming and Leisure Properties Inc.	10,129,713	367,911
² Spirit Realty Capital Inc.	22,455,894	187,956	CyrusOne Inc.	4,800,429	297,243
Weingarten Realty Investors	6,113,256	184,743	CubeSmart	9,116,753	276,785
Retail Properties of America Inc.	10,965,662	137,619	Lamar Advertising Co. Class A	3,687,474	271,509
Urban Edge Properties	5,685,959	128,958	VICI Properties Inc.	12,732,582	259,108
² Acadia Realty Trust	4,182,463	113,261	EPR Properties	3,687,897	245,208
^{^,2} Tanger Factory Outlet Centers Inc.	4,718,703	112,541	Rayonier Inc.	6,458,475	226,111
DDR Corp.	7,824,825	107,200	Life Storage Inc.	2,328,080	223,403
Retail Opportunity Investments Corp.	5,084,425	96,146	CoreSite Realty Corp.	1,712,162	191,933
Agree Realty Corp.	1,548,340	82,434	² GEO Group Inc.	6,200,595	160,471
Washington Prime Group Inc.	9,280,656	74,524	CoreCivic Inc.	5,907,133	151,459
Kite Realty Group Trust	4,172,570	70,391	Uniti Group Inc.	8,329,986	147,274
[^] Seritage Growth Properties Class A	1,612,391	68,220	Outfront Media Inc.	6,899,481	146,614
Ramco-Gershenson Properties Trust	3,958,024	52,048	PotlatchDeltic Corp.	2,968,273	138,767
Getty Realty Corp.	1,679,305	48,112	QTS Realty Trust Inc. Class A	2,525,525	107,966
[^] CBL & Associates Properties Inc.	8,547,812	46,586	National Storage Affiliates Trust	2,807,319	80,935
Alexander's Inc.	115,034	42,618	Four Corners Property Trust Inc.	3,060,329	76,202
Pennsylvania REIT	3,512,166	37,299	InfraREIT Inc.	2,184,071	45,756
Saul Centers Inc.	659,661	35,147	CatchMark Timber Trust Inc. Class A	2,415,825	30,005
Urstadt Biddle Properties Inc. Class A	1,463,522	32,578	[^] Farmland Partners Inc.	1,520,290	10,247
					16,934,364
			Total Equity Real Estate Investment Trusts (REITs) (Cost \$52,041,165)		58,518,225

Real Estate Index Fund

	Shares	Market Value* (\$000)
Real Estate Management & Development (3.5%)		
Diversified Real Estate Activities (0.2%)		
* St. Joe Co.	1,996,823	35,244
* Five Point Holdings LLC Class A	2,795,290	31,279
RMR Group Inc. Class A	304,537	26,434
* Tejon Ranch Co.	1,103,627	25,825
		118,782
Real Estate Development (0.5%)		
* Howard Hughes Corp.	2,057,266	278,862
*^ Forestar Group Inc.	518,135	11,762
		290,624
Real Estate Operating Companies (0.2%)		
Kennedy-Wilson Holdings Inc.	6,781,674	141,737
* FRP Holdings Inc.	346,880	22,547
		164,284
Real Estate Services (2.6%)		
* CBRE Group Inc. Class A	16,114,296	802,492
Jones Lang LaSalle Inc.	2,269,652	388,133
^2 Realogy Holdings Corp.	6,532,618	142,868
HFF Inc. Class A	1,829,307	82,337
*^ Redfin Corp.	2,243,188	54,958
RE/MAX Holdings Inc. Class A	883,039	44,859
* Marcus & Millichap Inc.	955,319	38,414
*^ Altisource Portfolio Solutions SA	574,397	19,133
		1,573,194
Total Real Estate Management & Development (Cost \$2,089,227)		2,146,884
Total Common Stock (Cost \$54,130,392)		60,665,109
Temporary Cash Investment (0.6%)¹		
Money Market Fund (0.6%)		
^{6.7} Vanguard Market Liquidity Fund, 2.145%	3,859,322	385,932
Total Temporary Cash Investments (Cost \$385,946)		385,932
Total Investments (100.4%) (Cost \$54,516,338)		61,051,041
Other Assets and Liabilities (-0.4%)		
Other Assets		100,804
Liabilities ⁷		(361,433)
		(260,629)
Net Assets (100%)		60,790,412

Statement of Assets and Liabilities

	Amount (\$000)
Assets	
Investments in Securities, at Value	
Unaffiliated Vanguard Funds	44,415,050
Affiliated Vanguard Funds	10,196,894
Vanguard Real Estate II Index Fund	6,439,097
Total Investment in Securities	61,051,041
Investment in Vanguard	3,167
Receivables for Accrued Income	32,893
Receivables for Capital Shares Issued	47,033
Unrealized Appreciation—Swap Contracts	2,570
Other Assets	15,141
Total Assets	61,151,845
Liabilities	
Payables for Investment Securities	
Purchased	110,274
Collateral for Securities on Loan	187,969
Payables for Capital Shares	
Redeemed	38,268
Payables to Vanguard	24,677
Unrealized Depreciation—Swap Contracts	245
Total Liabilities	361,433
Net Assets	60,790,412

At July 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	55,945,263
Undistributed Net Investment Income	(11,530)
Accumulated Net Realized Losses	(1,680,349)
Unrealized Appreciation (Depreciation)	
Investment Securities	6,534,703
Swap Contracts	2,325
Net Assets	60,790,412

	Amount (\$000)
Investor Shares—Net Assets	
Applicable to 73,352,148 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	1,997,808
Net Asset Value Per Share— Investor Shares	\$27.24

ETF Shares—Net Assets	
Applicable to 392,776,033 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	32,202,718
Net Asset Value Per Share— ETF Shares	\$81.99

Admiral Shares—Net Assets	
Applicable to 154,681,018 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	17,973,632
Net Asset Value Per Share— Admiral Shares	\$116.20

	Amount (\$000)
Institutional Shares—Net Assets	
Applicable to 479,088,652 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	8,616,254
Net Asset Value Per Share— Institutional Shares	\$17.98

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

§ Security value determined using significant unobservable inputs.

^ Includes partial security positions on loan to broker-dealers.
The total value of securities on loan is \$183,533,000.

1 The fund invests a portion of its assets in Real Estate Investment Trusts through the use of swap contracts. After giving effect to swap investments, the fund's effective Real Estate Investment Trust and temporary cash investment positions represent 100.0% and 0.4%, respectively, of net assets.

2 Considered an affiliated company of the fund as the fund owns more than 5% of the outstanding voting securities of such company. The total value of affiliated companies is \$9,810,962,000.

3 "Other" represents securities that are not classified by the fund's benchmark index.

4 Considered an affiliated company of the fund as the issuer is another member of The Vanguard Group.

5 Represents a wholly owned subsidiary of the fund. See accompanying financial statements for Vanguard Real Estate II Index Fund Schedule of Investments.

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

7 Includes \$187,969,000 of collateral received for securities on loan.

REIT—Real Estate Investment Trust.

Derivative Financial Instruments Outstanding as of Period End

Total Return Swaps

Reference Entity	Termination Date	Counterparty	Notional Amount (\$000)	Floating Interest Rate Received (Paid) ¹	Value and Unrealized Appreciation (Depreciation) (\$000)
Federal Realty Investment Trust	8/31/18	GSCM	32,903	(2.090%)	(67)
Regency Centers Corp.	10/19/18	GSCM	12,358	(2.064%)	364
Regency Centers Corp.	10/19/18	GSCM	12,298	(2.081%)	422
Regency Centers Corp.	10/19/18	GSCM	12,290	(2.069%)	431
Regency Centers Corp.	10/19/18	GSCM	12,156	(2.082%)	562
Regency Centers Corp.	10/19/18	GSCM	12,140	(2.086%)	578
Kimco Realty Corp.	8/31/18	GSCM	10,364	(2.090%)	(29)
Retail Opportunity Investments Corp.	8/31/18	GSCM	10,155	(2.090%)	(149)
Brixmor Property Group Inc.	8/31/18	GSCM	7,321	(2.090%)	213
					2,325

GSCM—Goldman Sachs Capital Management.

¹ Payment received/paid quarterly.

Unrealized appreciation (depreciation) on open swap contracts is required to be treated as ordinary income (loss) for tax purposes.

Statement of Operations

Six Months Ended
July 31, 2018

	(\$'000)
Investment Income	
Income	
Dividends Received from Unaffiliated Issuers	114,449
Dividends Received from Affiliated Issuers	760,072
Dividends Received from Vanguard Real Estate II Index Fund	98,792
Interest from Affiliated Issuers	533
Securities Lending—Net	654
Total Income	974,500
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	1,598
Management and Administrative—Investor Shares	2,303
Management and Administrative—ETF Shares	15,723
Management and Administrative—Admiral Shares	8,875
Management and Administrative—Institutional Shares	3,558
Marketing and Distribution—Investor Shares	148
Marketing and Distribution—ETF Shares	592
Marketing and Distribution—Admiral Shares	531
Marketing and Distribution—Institutional Shares	96
Custodian Fees	261
Auditing Fees	3
Shareholders' Reports—Investor Shares	39
Shareholders' Reports—ETF Shares	521
Shareholders' Reports—Admiral Shares	121
Shareholders' Reports—Institutional Shares	35
Trustees' Fees and Expenses	18
Total Expenses	34,422
Net Investment Income	940,078
Realized Net Gain (Loss)	
Capital Gain Distributions Received from Unaffiliated Issuers	1,632
Capital Gain Distributions Received from Affiliated Issuers	132,837
Capital Gain Distributions Received from Vanguard Real Estate II Index Fund	13,020
Investment Securities Sold—Unaffiliated Issuers	(112)
Investment Securities Sold—Affiliated Issuers	(808,618)
Investment Securities Sold—Vanguard Real Estate II Index Fund	—
Futures Contracts	(18)
Swap Contracts	3,896
Realized Net Gain (Loss)	(657,363)
Change in Unrealized Appreciation (Depreciation)	
Investment Securities—Unaffiliated Issuers	431,446
Investment Securities—Affiliated Issuers	1,868,163
Investment Securities—Vanguard Real Estate II Index Fund	200,873
Swap Contracts	2,384
Change in Unrealized Appreciation (Depreciation)	2,502,866
Net Increase (Decrease) in Net Assets Resulting from Operations	2,785,581

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

Statement of Changes in Net Assets

	Six Months Ended July 31, 2018	Year Ended January 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	940,078	1,912,910
Realized Net Gain (Loss)	(657,363)	2,288,664
Change in Unrealized Appreciation (Depreciation)	2,502,866	(3,829,824)
Net Increase (Decrease) in Net Assets Resulting from Operations	2,785,581	371,750
Distributions		
Net Investment Income		
Investor Shares	(35,422)	(69,040)
ETF Shares	(557,236)	(1,025,920)
Admiral Shares	(316,304)	(545,730)
Institutional Shares	(149,845)	(244,477)
Realized Capital Gain		
Investor Shares	—	(983)
ETF Shares	—	(14,088)
Admiral Shares	—	(7,496)
Institutional Shares	—	(3,343)
Return of Capital		
Investor Shares	—	(28,709)
ETF Shares	—	(426,390)
Admiral Shares	—	(226,815)
Institutional Shares	—	(101,603)
Total Distributions	(1,058,807)	(2,694,594)
Capital Share Transactions		
Investor Shares	(203,169)	(383,660)
ETF Shares	(1,024,770)	138,764
Admiral Shares	(328,120)	75,811
Institutional Shares	166,325	678,950
Net Increase (Decrease) from Capital Share Transactions	(1,389,734)	509,865
Total Increase (Decrease)	337,040	(1,812,979)
Net Assets		
Beginning of Period	60,453,372	62,266,351
End of Period ¹	60,790,412	60,453,372

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of (\$11,530,000) and \$103,303,000.

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$26.40	\$27.38	\$25.59	\$28.73	\$22.37	\$22.66
Investment Operations						
Net Investment Income	.399 ¹	.761 ¹	.746	.711	.645	.579
Net Realized and Unrealized Gain (Loss) on Investments	.901	(.614)	2.324	(2.851)	6.650	.025
Total from Investment Operations	1.300	.147	3.070	(2.140)	7.295	.604
Distributions						
Dividends from Net Investment Income	(.460)	(.788)	(.752)	(.695)	(.624)	(.626)
Distributions from Realized Capital Gains	—	(.011)	(.187)	—	—	—
Return of Capital	—	(.328)	(.341)	(.305)	(.311)	(.268)
Total Distributions	(.460)	(1.127)	(1.280)	(1.000)	(.935)	(.894)
Net Asset Value, End of Period	\$27.24	\$26.40	\$27.38	\$25.59	\$28.73	\$22.37
Total Return²	5.08%	0.45%	12.07%	-7.44%	33.29%	2.78%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$1,998	\$2,143	\$2,603	\$2,621	\$3,231	\$2,482
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.26%	0.26%	0.26%	0.24%
Ratio of Net Investment Income to Average Net Assets	3.16%	2.87%	2.60%	2.66%	2.56%	2.51%
Portfolio Turnover Rate ³	26%	6%	7%	11%	8%	11%

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

1 Calculated based on average shares outstanding.

2 Total returns do not include transaction or account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction and account service fees.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Financial Highlights

ETF Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$79.47	\$82.43	\$77.05	\$86.49	\$67.36	\$68.24
Investment Operations						
Net Investment Income	1.271 ¹	2.499 ¹	2.334	2.217	2.011	1.814
Net Realized and Unrealized Gain (Loss) on Investments	2.687	(1.945)	7.022	(8.533)	20.038	.097
Total from Investment Operations	3.958	.554	9.356	(6.316)	22.049	1.911
Distributions						
Dividends from Net Investment Income	(1.438)	(2.458)	(2.353)	(2.170)	(1.947)	(1.955)
Distributions from Realized Capital Gains	—	(.034)	(.563)	—	—	—
Return of Capital	—	(1.022)	(1.060)	(.954)	(.972)	(.836)
Total Distributions	(1.438)	(3.514)	(3.976)	(3.124)	(2.919)	(2.791)
Net Asset Value, End of Period	\$81.99	\$79.47	\$82.43	\$77.05	\$86.49	\$67.36
Total Return	5.13%	0.59%	12.25%	-7.31%	33.41%	2.93%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$32,203	\$32,377	\$33,527	\$27,007	\$29,487	\$18,528
Ratio of Total Expenses to Average Net Assets	0.12%	0.12%	0.12%	0.12%	0.12%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.30%	3.01%	2.74%	2.80%	2.70%	2.65%
Portfolio Turnover Rate ²	26%	6%	7%	11%	8%	11%

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

1 Calculated based on average shares outstanding.

2 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$112.63	\$116.83	\$109.19	\$122.58	\$95.46	\$96.70
Investment Operations						
Net Investment Income	1.799 ¹	3.538 ¹	3.306	3.142	2.852	2.569
Net Realized and Unrealized Gain (Loss) on Investments	3.810	(2.761)	9.966	(12.105)	28.403	.148
Total from Investment Operations	5.609	.777	13.272	(8.963)	31.255	2.717
Distributions						
Dividends from Net Investment Income	(2.039)	(3.483)	(3.333)	(3.076)	(2.758)	(2.772)
Distributions from Realized Capital Gains	—	(.048)	(.798)	—	—	—
Return of Capital	—	(1.447)	(1.501)	(1.351)	(1.377)	(1.185)
Total Distributions	(2.039)	(4.978)	(5.632)	(4.427)	(4.135)	(3.957)
Net Asset Value, End of Period	\$116.20	\$112.63	\$116.83	\$109.19	\$122.58	\$95.46
Total Return²	5.14%	0.58%	12.23%	-7.30%	33.46%	2.94%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$17,974	\$17,757	\$18,337	\$15,029	\$15,725	\$7,987
Ratio of Total Expenses to Average Net Assets	0.12%	0.12%	0.12%	0.12%	0.12%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.30%	3.01%	2.74%	2.80%	2.70%	2.65%
Portfolio Turnover Rate ³	26%	6%	7%	11%	8%	11%

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

1 Calculated based on average shares outstanding.

2 Total returns do not include transaction or account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction and account service fees.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Financial Highlights

Institutional Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$17.43	\$18.08	\$16.90	\$18.97	\$14.78	\$14.97
Investment Operations						
Net Investment Income	.281 ¹	.568 ¹	.515	.489	.444	.400
Net Realized and Unrealized Gain (Loss) on Investments	.586	(.444)	1.540	(1.870)	4.390	.025
Total from Investment Operations	.867	.124	2.055	(1.381)	4.834	.425
Distributions						
Dividends from Net Investment Income	(.317)	(.542)	(.519)	(.479)	(.430)	(.431)
Distributions from Realized Capital Gains	—	(.007)	(.123)	—	—	—
Return of Capital	—	(.225)	(.233)	(.210)	(.214)	(.184)
Total Distributions	(.317)	(.774)	(.875)	(.689)	(.644)	(.615)
Net Asset Value, End of Period	\$17.98	\$17.43	\$18.08	\$16.90	\$18.97	\$14.78
Total Return²	5.14%	0.60%	12.23%	-7.27%	33.43%	2.97%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$8,616	\$8,176	\$7,799	\$6,785	\$6,788	\$3,922
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.10%	0.08%
Ratio of Net Investment Income to Average Net Assets	3.32%	3.03%	2.76%	2.82%	2.72%	2.67%
Portfolio Turnover Rate ³	26%	6%	7%	11%	8%	11%

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

1 Calculated based on average shares outstanding.

2 Total returns do not include transaction fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction fees.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Notes to Financial Statements

Vanguard Real Estate Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund offers four classes of shares: Investor Shares, ETF Shares, Admiral Shares, and Institutional Shares. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. ETF Shares are listed for trading on NYSE Arca; they can be purchased and sold through a broker. Admiral Shares and Institutional Shares are designed for investors who meet certain administrative, service, and account-size criteria.

As a part of its principal investment strategy, the fund attempts to replicate its benchmark index by investing all, or substantially all, of its assets—either directly or indirectly through a wholly owned subsidiary—in the stocks that make up the index. Vanguard Real Estate II Index Fund is the wholly owned subsidiary in which the fund has invested a portion of its assets. For additional financial information about the Real Estate II Index Fund, refer to the accompanying financial statements.

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. Investment in affiliated Vanguard funds are valued at that fund's net asset value.

2. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The fund may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The 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.

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 futures gains (losses).

During the six months ended July 31, 2018, 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. The fund had no open futures contracts at July 31, 2018.

3. Swap Contracts: The fund has entered into equity swap contracts to earn the total return on selected reference stocks in the fund's target index. Under the terms of the swaps, the fund receives the total return on the referenced stock (i.e., receiving the increase or paying the decrease in value of the selected reference stock and receiving the equivalent of any dividends in respect of the selected referenced stock) over a specified period of time, applied to a notional amount that represents the value of a designated number of shares of the selected reference stock at the beginning of the equity swap contract. The fund also pays a floating rate that is based on short-term interest rates, applied to the notional amount. At the same time, the fund invests an amount approximating the notional amount of the swap in high-quality temporary cash investments.

The notional amounts of swap contracts are not recorded in the Statement of Assets and Liabilities. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until termination of the swap, at which time realized gain (loss) is recorded.

A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the fund. The fund's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The fund mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. In the event of a counterparty's default (including bankruptcy), the fund may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the fund net assets decline below a certain level, triggering a payment by the fund if the fund is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the fund has pledged. Any securities pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

During the six months ended July 31, 2018, the fund's average amounts of investments in total return swaps represented less than 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. Federal Income Taxes: The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2015–2018), and for the period ended July 31, 2018, and has concluded that no provision for federal income tax is required in the fund's financial statements.

5. Distributions: Distributions to shareholders are recorded on the ex-dividend date. The portion of distributions that exceeds a fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital.

6. **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. 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.

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

The fund had no borrowings outstanding at July 31, 2018, or at any time during the period then ended.

8. **Other:** Distributions received from investment securities are recorded on the ex-dividend date. Each investment security typically reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the investment securities, and management's estimates of such amounts for investment security distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold. Fees assessed on redemptions of capital shares are credited to paid-in capital.

Each class of shares has equal rights as to assets and earnings, except that each class separately bears certain class-specific expenses related to maintenance of shareholder accounts (included in Management and Administrative expenses), shareholder reporting, and the proxy. Marketing and

distribution expenses are allocated to each class of shares based on a method approved by the board of trustees. Income, other non-class-specific expenses, and gains and losses on investments are allocated to each class of shares based on its relative net assets.

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. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the fund's liability for these costs of operations is included in Payables to Vanguard on the Statement of Assets & Liabilities. All other costs of operations payable to Vanguard 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 July 31, 2018, the fund had contributed to Vanguard capital in the amount of \$3,167,000, representing 0.01% of the fund's net assets and 1.27% of Vanguard's capitalization. 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. 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 valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the fund's investments as of July 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	60,662,367	—	2,742
Temporary Cash Investments	385,932	—	—
Swap Contracts—Assets	—	2,570	—
Swap Contracts—Liabilities	—	(245)	—
Total	61,048,299	2,325	2,742

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

During the six months ended July 31, 2018, the fund realized \$1,019,090,000 of net capital gains resulting from in-kind redemptions—in which shareholders exchanged fund shares for securities held by the fund rather than for cash. Because such gains are not taxable to the fund, and are not distributed to shareholders, they have been reclassified from accumulated net realized losses to paid-in capital.

At July 31, 2018, the cost of investment securities for tax purposes was \$54,516,332,000. Net unrealized appreciation of investment securities for tax purposes was \$6,534,703,000, consisting of unrealized gains of \$8,455,330,000 on securities that had risen in value since their purchase and \$1,920,627,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended July 31, 2018, the fund purchased \$14,687,971,000 of investment securities and sold \$15,897,823,000 of investment securities, other than temporary cash investments. Purchases and sales include \$3,374,171,000 and \$4,600,983,000, respectively, in connection with in-kind purchases and redemptions of the fund's capital shares.

F. Capital share transactions for each class of shares were:

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	125,005	4,894	362,805	13,160
Issued in Lieu of Cash Distributions	32,969	1,312	92,491	3,378
Redeemed	(361,143)	(14,038)	(838,956)	(30,421)
Net Increase (Decrease)—Investor Shares	(203,169)	(7,832)	(383,660)	(13,883)
ETF Shares				
Issued	3,578,946	45,946	7,194,688	86,125
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed	(4,603,716)	(60,600)	(7,055,924)	(85,400)
Net Increase (Decrease)—ETF Shares	(1,024,770)	(14,654)	138,764	725
Admiral Shares				
Issued	1,432,817	13,135	3,635,103	30,947
Issued in Lieu of Cash Distributions	278,276	2,595	685,946	5,875
Redeemed	(2,039,213)	(18,709)	(4,245,238)	(36,118)
Net Increase (Decrease)—Admiral Shares	(328,120)	(2,979)	75,811	704
Institutional Shares				
Issued	988,463	58,373	2,396,349	131,716
Issued in Lieu of Cash Distributions	141,334	8,514	324,780	17,972
Redeemed	(963,472)	(56,845)	(2,042,179)	(111,955)
Net Increase (Decrease)—Institutional Shares	166,325	10,042	678,950	37,733

G. Certain of the fund's investments are in companies that are considered to be affiliated companies of the fund because the fund owns more than 5% of the outstanding voting securities of the company or the issuer is another member of The Vanguard Group. Transactions during the period in securities of these companies were as follows:

	January 31, 2018 Market Value (\$000)	Current Period Transactions						July 31, 2018 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Acadia Realty Trust	135,395	8,061	40,666	(13,043)	23,514	1,746	729	113,261
Agree Realty Corp.	90,915	5,671	22,028	2,507	5,674	1,419	—	NA ³
Alexander & Baldwin Inc.	120,082	11,061	36,685	(4,681)	(8,122)	—	—	NA ³
Alexandria Real Estate Equities Inc.	800,695	58,680	195,516	27,245	(43,589)	4,448	2,708	NA ³
Altisource Residential Corp.	36,772	300	1,885	488	(35,675)	—	—	—
American Campus Communities Inc.	345,867	20,551	104,334	(13,358)	35,947	2,461	1,599	NA ³
Apartment Investment & Management Co.	432,922	24,372	123,541	8,728	(6,545)	3,124	3,925	335,936
Apple Hospitality REIT Inc.	272,226	14,695	68,727	(5,240)	(14,804)	5,968	321	NA ³
Armada Hoffer Properties Inc.	42,716	2,457	12,160	128	1,746	259	30	NA ³
Ashford Hospitality Prime Inc.	15,186	447	2,616	(2,566)	(10,410)	102	96	—
Ashford Hospitality Trust Inc.	41,331	2,583	14,713	(1,214)	9,750	—	—	NA ³
AvalonBay Communities Inc.	1,550,548	86,823	445,653	(6,957)	35,121	16,757	5,487	NA ³
Boston Properties Inc.	1,258,471	71,784	368,007	(254)	6,222	13,113	414	NA ³
Brandywine Realty Trust	207,416	10,976	53,147	2,396	(20,139)	1,384	1,900	147,299
Brixmor Property Group Inc.	319,202	18,562	94,492	(58,322)	76,743	8,441	—	NA ³
Camden Property Trust	528,910	30,362	155,246	12,401	12,877	3,821	3,998	NA ³
CareTrust REIT Inc.	79,575	4,433	22,286	(4,254)	7,158	1,386	—	NA ³
CBL & Associates Properties Inc.	62,714	3,281	16,294	(43,386)	40,397	3,612	—	NA ³
Cedar Realty Trust Inc.	30,746	1,501	7,539	(3,822)	1,170	244	—	NA ³

Real Estate Index Fund

	January 31, 2018 Market Value (\$000)	Current Period Transactions						July 31, 2018 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Chatham Lodging Trust	67,005	3,538	17,478	(4,386)	832	1,494	64	NA ³
Chesapeake Lodging Trust	108,533	6,802	33,775	979	14,646	2,297	54	96,897
Colony NorthStar Inc. Class A	309,780	9,124	68,813	(215,722)	(34,369)	2,494	886	—
Columbia Property Trust Inc.	174,942	9,966	52,453	(5,625)	14,479	598	—	139,106
CoreCivic Inc.	180,820	9,913	49,732	(30,463)	41,170	5,317	—	NA ³
Corporate Office Properties Trust	179,024	11,447	51,553	(10,437)	22,923	1,763	630	NA ³
Cousins Properties Inc.	249,205	14,433	73,102	(1,385)	7,945	1,998	228	196,330
CubeSmart	327,031	20,307	99,045	10,520	18,228	5,555	146	NA ³
CyrusOne Inc.	329,980	34,474	81,993	11,401	7,730	207	—	NA ³
DCT Industrial Trust Inc.	363,151	21,534	107,783	26,444	10,413	3,231	310	NA ³
DDR Corp.	167,216	8,940	46,118	(46,637)	26,107	28,662	—	—
DiamondRock Hospitality Co.	155,274	8,784	44,625	(3,091)	3,300	2,726	—	119,626
Digital Realty Trust Inc.	1,513,956	84,171	427,466	74,703	313	22,865	534	NA ³
Douglas Emmett Inc.	394,265	22,938	101,570	12,688	(11,161)	1,019	14	NA ³
Duke Realty Corp.	619,410	36,686	186,148	26,995	22,925	2,871	5,607	NA ³
Easterly Government Properties Inc.	53,553	16,294	10,522	466	(4,770)	840	—	NA ³
EastGroup Properties Inc.	196,347	11,634	56,659	11,758	2,814	2,319	121	NA ³
Education Realty Trust Inc.	159,394	10,237	45,496	(5,917)	39,170	940	1	NA ³
EPR Properties	286,885	16,846	84,927	(8,319)	35,558	7,499	488	NA ³
Equinix Inc.	2,339,501	124,195	607,874	74,680	(192,966)	20,834	—	NA ³
Equity Commonwealth	244,644	14,582	72,325	5,282	9,883	—	—	202,066
Equity LifeStyle Properties Inc.	470,384	28,020	134,732	34,310	(13,462)	4,302	507	NA ³
Equity Residential	1,492,184	85,913	438,247	(61,230)	124,499	11,731	10,265	NA ³

Real Estate Index Fund

	January 31, 2018 Market Value (\$000)	Current Period Transactions						July 31, 2018 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Essex Property Trust Inc.	1,013,827	58,870	304,891	33,398	(8,318)	12,113	1,346	NA ³
Extra Space Storage Inc.	693,324	43,708	221,968	39,250	37,542	11,198	421	NA ³
Federal Realty Investment Trust	544,060	32,863	161,090	(17,484)	28,259	7,596	25	NA ³
First Industrial Realty Trust Inc.	243,894	14,196	70,703	14,189	(4,911)	2,338	492	NA ³
Forest City Realty Trust Inc. Class A	330,139	17,888	75,386	1,184	9,190	2,568	1,884	NA ³
Four Corners Property Trust Inc.	95,230	5,428	27,511	3,047	98	1,760	—	NA ³
Franklin Street Properties Corp.	68,033	3,370	14,720	(6,565)	(2,589)	545	39	NA ³
Gaming and Leisure Properties Inc.	428,876	81,700	135,607	(3,840)	(2,416)	11,558	177	NA ³
Front Yard Residential Corp.	NA ²	1,656	8,678	(2,470)	33,730	833	—	NA ³
GEO Group Inc.	184,462	11,152	55,868	(5,599)	29,315	6,971	—	160,471
Getty Realty Corp.	58,003	3,358	16,760	1,165	2,361	977	202	NA ³
Gladstone Commercial Corp.	34,680	1,902	9,175	(984)	1,717	1,177	—	NA ³
Global Net Lease Inc.	81,413	4,803	24,196	(7,409)	16,437	4,109	—	NA ³
Government Properties Income Trust	108,827	5,456	25,386	(10,125)	(2,381)	2,440	218	NA ³
Gramercy Property Trust	252,621	15,305	63,264	(2,810)	18,461	6,443	—	220,313
HCP Inc.	744,106	42,772	215,851	(121,996)	164,325	14,725	97	NA ³
Healthcare Realty Trust Inc.	243,780	13,277	65,624	(5,193)	914	2,205	1,045	186,008
Healthcare Trust of America Inc. Class A	365,173	20,137	96,532	(10,543)	3,568	4,838	160	NA ³
Hersha Hospitality Trust Class A	51,171	2,918	19,760	(1,396)	8,167	1,028	—	NA ³
Highwoods Properties Inc.	326,002	18,385	91,457	237	1,678	4,393	1,167	254,766
Hospitality Properties Trust	308,288	16,976	86,725	(8,123)	2,896	8,659	29	232,720

Real Estate Index Fund

	January 31, 2018 Market Value (\$'000)	Current Period Transactions						July 31, 2018 Market Value (\$'000)
		Purchases at Cost (\$'000)	Proceeds from Securities Sold ¹ (\$'000)	Realized Net Gain (Loss) (\$'000)	Change in Unrealized App. (Dep.) (\$'000)	Income (\$'000)	Capital Gain Distributions Received (\$'000)	
Host Hotels & Resorts Inc.	1,012,323	56,307	296,992	4,819	(8,601)	11,089	5,075	NA ³
Hudson Pacific Properties Inc.	327,281	19,767	97,250	6,702	17,887	(1,358)	414	269,061
Independence Realty Trust Inc.	49,505	3,003	13,453	75	3,970	1,355	289	NA ³
Investors Real Estate Trust	45,038	2,378	12,664	(5,973)	4,126	154	631	32,741
Iron Mountain Inc.	611,738	34,464	164,557	(13,775)	10,343	14,859	—	NA ³
iStar Inc.	45,217	2,632	11,655	(1,810)	2,663	—	—	37,047
JBG SMITH Properties	210,407	35,577	54,860	(1,341)	14,822	1,177	—	NA ³
Kilroy Realty Corp.	462,201	27,162	136,023	11,410	(3,621)	3,342	1,309	NA ³
Kimco Realty Corp.	436,518	25,000	126,537	(80,942)	92,613	5,071	5,598	NA ³
Kite Realty Group Trust	95,092	159	22,713	(15,451)	13,944	2,194	302	NA ³
LaSalle Hotel Properties	227,890	13,337	67,530	(6,774)	29,281	3,557	734	196,204
Lexington Realty Trust	128,736	6,954	35,076	(8,284)	4,225	3,088	—	NA ³
Liberty Property Trust	402,322	23,374	119,435	8,583	2,009	4,794	1,367	NA ³
Life Storage Inc.	255,145	15,752	79,509	(3,530)	35,917	4,707	—	NA ³
LTC Properties Inc.	106,910	6,007	30,343	(2,197)	3,699	1,857	152	NA ³
Macerich Co.	511,617	25,431	177,122	(26,570)	(21,667)	4,337	6,256	NA ³
Mack—Cali Realty Corp.	112,923	6,190	26,379	(16,515)	12,027	1,212	61	NA ³
Medical Properties Trust Inc.	313,870	18,641	92,454	(4,442)	30,188	7,758	467	263,741
MGM Growth Properties LLC Class A	127,934	7,562	36,151	193	7,838	3,026	—	NA ³
Mid—America Apartment Communities Inc.	713,570	40,277	204,233	18,422	4,812	10,662	773	NA ³
Monmouth Real Estate Investment Corp.	75,450	4,164	15,000	2,048	(4,541)	726	24	NA ³
National Health Investors Inc.	190,628	11,146	54,026	2,241	5,949	3,211	1,026	155,646

Real Estate Index Fund

	January 31, 2018 Market Value (\$000)	Current Period Transactions						July 31, 2018 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
National Retail Properties Inc.	390,140	23,478	106,899	(2,131)	40,303	6,569	96	NA ³
National Storage Affiliates Trust	82,472	13,056	23,352	1,654	7,226	1,474	—	NA ³
New Senior Investment Group Inc.	41,482	2,372	12,594	(10,968)	11,017	—	53	NA ³
New York REIT Inc.	22,353	1,242	7,009	8,658	(10,216)	4,511	—	NA ³
NexPoint Residential Trust Inc.	31,311	1,855	9,334	415	2,603	289	76	NA ³
NorthStar Realty Europe Corp.	41,298	2,569	15,183	2,132	3,816	275	—	NA ³
Omega Healthcare Investors Inc.	351,475	21,521	106,618	(17,652)	50,506	9,151	205	NA ³
Paramount Group Inc.	200,818	11,739	47,428	(7,908)	12,217	687	68	NA ³
Park Hotels & Resorts Inc.	NA ²	35,883	51,849	684	22,408	13,071	—	NA ³
Pebblebrook Hotel Trust	177,289	9,759	50,017	5,035	(8,975)	2,851	—	NA ³
Pennsylvania REIT	51,388	2,832	14,044	(12,101)	10,926	—	—	NA ³
Physicians Realty Trust	190,800	10,398	52,342	(11,756)	6,101	2,083	—	NA ³
Piedmont Office Realty Trust Inc. Class A	187,225	10,127	62,454	(3,134)	2,254	1,993	1,367	133,801
Realogy Holdings Corp.	NA ²	165,751	5,648	173	(22,362)	514	—	142,868
Preferred Apartment Communities Inc.	35,483	19,390	20,482	(7,887)	6,774	499	—	NA ³
Prologis Inc.	2,281,569	128,349	658,268	130,293	(134,970)	14,262	14,590	NA ³
Public Storage	2,019,383	123,758	626,275	11,238	175,743	35,604	9	NA ³
QTS Realty Trust Inc. Class A	159,765	7,356	33,608	(5,965)	(19,102)	1,796	—	NA ³
Quality Care Properties Inc.	83,525	6,457	131,173	33,609	7,582	—	—	—
Ramco—Gershenson Properties Trust	69,142	3,772	19,174	(7,897)	6,334	1,687	142	NA ³
Realty Income Corp.	961,952	55,508	254,472	(17,094)	50,481	15,707	105	NA ³

Real Estate Index Fund

	January 31, 2018 Market Value (\$000)	Current Period Transactions						July 31, 2018 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Regency Centers Corp.	634,791	34,739	236,345	(24,320)	18,438	7,228	773	NA ³
Retail Opportunity Investments Corp.	123,236	7,582	36,114	(138)	2,062	1,748	—	NA ³
Retail Properties of America Inc.	183,468	10,469	61,335	(13,542)	19,344	3,298	59	NA ³
Rexford Industrial Realty Inc.	139,212	9,438	31,825	4,270	(929)	1,278	28	NA ³
RLJ Lodging Trust	266,228	14,290	73,176	(9,603)	420	5,745	—	NA ³
Ryman Hospitality Properties Inc.	232,432	13,876	69,733	18,260	1,510	4,209	76	NA ³
Sabra Health Care REIT Inc.	209,688	13,145	62,649	(24,199)	60,730	5,397	33	192,741
SBA Communications Corp. Class A	NA ²	970,760	32,343	1,133	(35,038)	—	—	920,117
Senior Housing Properties Trust	271,328	15,283	76,466	(17,873)	23,022	6,607	357	212,382
Seritage Growth Properties Class A	68,238	13,965	14,274	(377)	668	768	—	NA ³
Simon Property Group Inc.	3,346,756	193,660	898,950	(43,791)	221,453	70,528	1,433	2,819,128
SL Green Realty Corp.	655,463	35,854	230,290	(24,579)	29,555	3,572	4,927	466,003
Spirit MTA REIT	NA ²	27,034	6,111	206	1,352	—	—	22,480
Spirit Realty Capital Inc.	246,845	13,922	76,167	(24,188)	35,890	20,876	1,455	187,956
STAG Industrial Inc.	153,983	9,086	38,917	888	9,005	2,394	—	NA ³
STORE Capital Corp.	276,198	16,882	79,564	312	26,561	5,338	397	NA ³
Summit Hotel Properties Inc.	106,473	5,631	29,167	843	(10,017)	2,228	—	NA ³
Sun Communities Inc.	462,846	28,140	138,901	32,064	6,068	2,140	1,021	NA ³
Sunstone Hotel Investors Inc.	250,335	13,710	70,395	4,236	(14,392)	874	360	NA ³
Tanger Factory Outlet Centers Inc.	157,570	8,243	42,479	(18,987)	8,356	3,332	31	112,541
Taubman Centers Inc.	246,647	13,459	67,983	(13,579)	10,517	3,712	716	NA ³

Real Estate Index Fund

	January 31, 2018 Market Value (\$000)	Current Period Transactions						July 31, 2018 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Terreno Realty Corp.	122,901	7,356	31,221	4,375	(681)	942	108	NA ³
Tier REIT Inc.	61,273	3,791	19,003	3,506	7,625	647	—	NA ³
UDR Inc.	644,129	36,521	185,452	12,370	8,928	6,279	3,171	516,496
UMH Properties Inc.	26,624	14,875	17,647	(4,344)	5,528	463	—	NA ³
Universal Health Realty Income Trust	56,751	3,073	15,251	2,123	(2,771)	745	141	NA ³
Urban Edge Properties	175,346	9,500	48,319	(4,885)	(2,684)	2,439	385	NA ³
Vanguard Market Liquidity Fund	164,286	NA ⁴	NA ⁴	54	(11)	533	—	385,932
Vanguard Real Estate II Index Fund	6,126,412	113,149	—	—	200,873	98,792	13,020	6,439,097
Ventas Inc.	1,313,443	72,451	366,175	(55,419)	38,441	24,336	6,497	NA ³
VEREIT Inc.	462,377	26,457	134,929	(78,150)	96,280	12,626	1,477	371,459
Vornado Realty Trust	805,092	45,397	229,473	(24,534)	18,019	3,687	2,341	NA ³
Washington Prime Group Inc.	80,600	5,007	24,978	(32,221)	46,809	3,657	1,019	NA ³
Washington REIT	145,371	8,403	40,014	(2,419)	8,919	1,951	207	NA ³
Weingarten Realty Investors	237,807	13,454	67,813	(14,926)	16,276	3,596	1,842	NA ³
Welltower Inc.	1,457,867	80,823	402,594	(94,924)	117,121	23,793	14,136	NA ³
Whitestone REIT	33,393	1,730	11,207	(927)	238	518	77	NA ³
Winthrop Realty Trust	12,674	—	—	—	(185)	946	—	2,742
WP Carey Inc.	456,443	26,153	131,891	(3,629)	5,328	10,307	217	351,009
Xenia Hotels & Resorts Inc.	156,245	9,118	45,699	266	10,574	3,173	—	NA ³
	57,342,038	4,392,380	14,796,158	(808,618)	2,069,036	858,864	145,857	16,635,991

1 Does not include adjustments related to return of capital.

2 Not applicable—at January 31, 2018, the issuer was not an affiliated company of the fund.

3 Not applicable—at July 31, 2018, the security was still held, but the issuer was no longer an affiliated company of the fund.

4 Not applicable—purchases and sales are for temporary cash investment purposes.

H. Management has determined that no events or transactions occurred subsequent to July 31, 2018, that would require recognition or disclosure in these financial statements.

Real Estate II Index Fund

Fund Profile

As of July 31, 2018

Portfolio Characteristics

	MSCI US IM Real Estate Fund	MSCI US IM Real Estate 25/50 Index	DJ U.S. Total Market FA Index
Number of Stocks	184	185	3,766
Median Market Cap	\$13.2B	\$13.2B	\$67.3B
Price/Earnings Ratio	36.7x	36.0x	20.5x
Price/Book Ratio	2.4x	2.4x	3.1x
Return on Equity	6.1%	6.1%	15.0%
Earnings Growth Rate	13.5%	13.6%	8.5%
Dividend Yield	3.8%	3.8%	1.7%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate (Annualized)	20%	—	—
Ticker Symbol	VRTPX	—	—
Expense Ratio ¹	0.08%	—	—
Short-Term Reserves	0.1%	—	—

Dividend Yield: This yield may include some payments that represent a return of capital, capital gains distributions, or both by the underlying REITs. These amounts are determined by each REIT at the end of its fiscal year.

Subindustry Diversification (% of equity exposure)

	Fund	MSCI US IM Real Estate 25/50 Index
Diversified REITs	4.6%	4.6%
Diversified Real Estate Activites	0.2	0.2
Health Care REITs	8.7	8.7
Hotel & Resort REITs	5.8	5.8
Industrial REITs	6.6	6.6
Office REITs	10.5	10.5
Real Estate Development	0.5	0.5
Real Estate Operating Companies	0.3	0.3
Real Estate Services	2.9	2.9
Residential REITs	13.1	13.1
Retail REITs	15.6	15.6
Specialized REITs	31.2	31.2

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.

Ten Largest Holdings (% of total net assets)

American Tower Corp.	Specialized REITs	6.0%
Simon Property Group Inc.	Retail REITs	5.2
Crown Castle International Corp.	Specialized REITs	4.1
Prologis Inc.	Industrial REITs	3.2
Equinix Inc.	Specialized REITs	3.2
Public Storage	Specialized REITs	3.1
Weyerhaeuser Co.	Specialized REITs	2.4
Digital Realty Trust Inc.	Specialized REITs	2.3
AvalonBay Communities Inc.	Residential REITs	2.2
Equity Residential	Residential REITs	2.2
Top Ten		33.9%

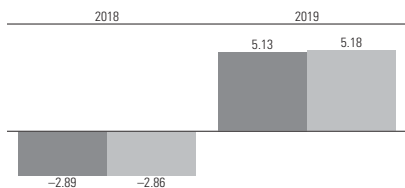
The holdings listed exclude any temporary cash investments and equity index products.

¹ The expense ratio shown is from the prospectus dated May 24, 2018, and represents estimated costs for the current fiscal year. For the six months ended July 31, 2018, the annualized expense ratio was 0.08%.

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.) 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.

Fiscal-Period Total Returns (%): September 26, 2017, Through July 31, 2018



■ Real Estate II Index Fund

■ Real Estate Spliced Index

For a benchmark description, see the Glossary.

Note: For 2019, performance data reflect the six months ended July 31, 2018.

Total Returns: Periods Ended June 30, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	Since Inception
Vanguard Real Estate II Index Fund	9/26/2017	1.37%

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2018

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

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (96.1%)			Senior Housing		
Diversified REITs (4.6%)			Properties Trust	1,409,682	25,149
VEREIT Inc.	5,767,341	44,005	Sabra Health Care REIT Inc.	1,056,276	22,826
WP Carey Inc.	635,711	41,563	Healthcare Realty Trust Inc.	741,619	22,034
Liberty Property Trust	874,754	37,492	National Health Investors Inc.	246,342	18,436
Forest City Realty Trust Inc. Class A	1,342,809	33,530	Physicians Realty Trust	1,058,617	16,684
STORE Capital Corp.	1,036,831	28,461	LTC Properties Inc.	234,608	9,893
Colony Capital Inc.	2,881,687	17,751	CareTrust REIT Inc.	450,390	7,616
PS Business Parks Inc.	121,705	15,550	Universal Health Realty Income Trust	77,083	5,189
Washington REIT	465,384	14,190	New Senior Investment Group Inc.	485,193	3,435
Empire State Realty Trust Inc.	814,634	13,580	MedEquities Realty Trust Inc.	168,506	1,887
Lexington Realty Trust	1,284,909	11,294			560,359
Alexander & Baldwin Inc.	403,779	9,670	Hotel & Resort REITs (5.8%)		
Global Net Lease Inc.	397,655	8,414	Host Hotels & Resorts Inc.	4,344,359	90,971
American Assets Trust Inc.	195,825	7,526	Park Hotels & Resorts Inc.	1,189,591	37,211
* iStar Inc.	403,670	4,388	Hospitality Properties Trust	974,889	27,560
Armada Hoffler Properties Inc.	267,891	4,045	RLJ Lodging Trust	1,035,954	23,402
Gladstone Commercial Corp.	167,757	3,328	Apple Hospitality REIT Inc.	1,297,353	23,339
One Liberty Properties Inc.	84,560	2,280	Ryman Hospitality Properties Inc.	273,498	23,250
		297,067	LaSalle Hotel Properties	670,438	23,244
Health Care REITs (8.7%)			Sunstone Hotel Investors Inc.	1,335,779	21,733
Welltower Inc.	2,190,777	137,143	Pebblebrook Hotel Trust	408,873	15,762
Ventas Inc.	2,107,189	118,803	Xenia Hotels & Resorts Inc.	633,524	15,452
HCP Inc.	2,778,342	71,959	DiamondRock Hospitality Co.	1,188,645	14,169
^ Omega Healthcare Investors Inc.	1,175,677	34,906			
Healthcare Trust of America Inc. Class A	1,214,193	33,172			
Medical Properties Trust Inc.	2,167,060	31,227			

Real Estate II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
MGM Growth Properties LLC Class A	419,081	12,698	Columbia Property Trust Inc.	710,950	16,480
Chesapeake Lodging Trust	358,365	11,475	Piedmont Office Realty Trust Inc. Class A	801,270	15,849
Summit Hotel Properties Inc.	617,548	8,738	Mack-Cali Realty Corp. Government Properties Income Trust	533,057	10,379
* CorePoint Lodging Inc.	244,167	6,168	Select Income REIT	585,963	8,830
Chatham Lodging Trust	271,605	5,850	Tier REIT Inc.	397,848	8,295
Hersha Hospitality Trust Class A	224,270	4,842	Easterly Government Properties Inc.	283,261	6,733
Ashford Hospitality Trust Inc.	546,616	4,318	Franklin Street Properties Corp.	341,791	6,477
Braemar Hotels & Resorts Inc.	171,483	1,960	NorthStar Realty Europe Corp.	633,266	5,579
		372,142	City Office REIT Inc.	294,332	4,029
Industrial REITs (6.6%)			New York REIT Inc.	199,982	2,550
Prologis Inc.	3,154,187	206,978		97,077	1,787
Duke Realty Corp.	2,114,859	61,585			674,681
DCT Industrial Trust Inc.	555,565	37,150	Residential REITs (13.1%)		
Gramercy Property Trust	952,729	26,095	AvalonBay Communities Inc.	817,287	144,537
First Industrial Realty Trust Inc.	715,239	23,281	Equity Residential	2,178,608	142,546
EastGroup Properties Inc.	206,138	19,649	Essex Property Trust Inc.	390,673	93,937
STAG Industrial Inc.	575,471	15,722	Mid-America Apartment Communities Inc.	673,426	67,868
Rexford Industrial Realty Inc.	464,644	14,237	UDR Inc.	1,589,884	61,179
Terreno Realty Corp.	328,956	12,142	Camden Property Trust	549,261	50,856
Monmouth Real Estate Investment Corp.	437,035	7,285	Sun Communities Inc.	473,106	45,872
		424,124	Equity LifeStyle Properties Inc.	500,281	45,521
Office REITs (10.5%)			Invitation Homes Inc.	1,843,848	42,611
Boston Properties Inc.	913,797	114,709	Apartment Investment & Management Co.	932,966	39,791
Alexandria Real Estate Equities Inc.	599,493	76,399	American Homes 4 Rent Class A	1,516,599	33,578
Vornado Realty Trust	1,012,190	72,797	American Campus Communities Inc.	807,801	33,322
SL Green Realty Corp.	535,379	55,203	Education Realty Trust Inc.	448,811	18,563
Kilroy Realty Corp.	586,092	42,755	Independence Realty Trust Inc.	502,688	5,102
Douglas Emmett Inc.	957,009	37,170	Preferred Apartment Communities Inc. Class A	231,214	3,912
Hudson Pacific Properties Inc.	930,108	31,866	Investors Real Estate Trust	709,180	3,886
Highwoods Properties Inc.	614,266	30,167	NexPoint Residential Trust Inc.	105,591	3,162
JBG SMITH Properties	664,045	24,238	UMH Properties Inc.	191,970	2,964
* Equity Commonwealth	742,666	23,944	Front Yard Residential Corp.	297,321	2,872
Cousins Properties Inc.	2,494,872	23,252			842,079
Paramount Group Inc.	1,288,159	19,889			
Corporate Office Properties Trust	600,434	17,857			
Brandywine Realty Trust	1,058,023	17,447			

Real Estate II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Retail REITs (15.6%)					
Simon Property Group Inc.	1,895,544	334,014	Weyerhaeuser Co.	4,473,953	152,920
Realty Income Corp.	1,682,141	93,813	Digital Realty Trust Inc.	1,215,497	147,586
GGP Inc.	3,964,592	84,525	* SBA Communications Corp. Class A	688,922	109,022
* Regency Centers Corp. Federal Realty Investment Trust	910,204	57,916	Extra Space Storage Inc.	746,146	70,115
Kimco Realty Corp.	433,448	54,398	Iron Mountain Inc.	1,603,919	56,314
National Retail Properties Inc.	2,518,228	42,029	Gaming and Leisure Properties Inc.	1,199,899	43,580
Macerich Co.	912,471	40,705	CyrusOne Inc.	568,741	35,216
Brixmor Property Group Inc.	625,226	36,926	Lamar Advertising Co. Class A	448,206	33,001
Taubman Centers Inc.	1,798,801	31,821	CubeSmart	1,080,013	32,789
Spirit Realty Capital Inc.	360,764	22,385	VICI Properties Inc.	1,507,307	30,674
Weingarten Realty Investors	2,659,835	22,263	EPR Properties	436,770	29,041
Retail Properties of America Inc.	723,991	21,879	Rayonier Inc.	765,028	26,784
Urban Edge Properties	1,299,033	16,303	Life Storage Inc.	275,786	26,464
Acadia Realty Trust	673,443	15,274	CoreSite Realty Corp.	202,805	22,734
^ Tanger Factory Outlet Centers Inc.	495,511	13,418	GEO Group Inc.	734,498	19,009
DDR Corp.	559,092	13,334	CoreCivic Inc.	699,653	17,939
Retail Opportunity Investments Corp.	927,047	12,701	Uniti Group Inc.	986,731	17,445
Agree Realty Corp.	665,224	12,579	Outfront Media Inc.	817,204	17,365
Washington Prime Group Inc.	183,450	9,767	PotlatchDeltic Corp.	351,603	16,437
Kite Realty Group Trust	1,099,273	8,827	QTS Realty Trust Inc. Class A	299,201	12,791
^ Seritage Growth Properties Class A	494,003	8,334	National Storage Affiliates Trust	332,663	9,591
Ramco-Gershenson Properties Trust	191,011	8,082	Four Corners Property Trust Inc.	362,718	9,032
Getty Realty Corp.	468,888	6,166	InfraREIT Inc.	258,835	5,423
^ CBL & Associates Properties Inc.	198,945	5,700	CatchMark Timber Trust Inc. Class A	285,890	3,551
Alexander's Inc.	1,012,066	5,516	^ Farmland Partners Inc.	180,120	1,214
Pennsylvania REIT	13,658	5,060			2,007,130
Saul Centers Inc.	415,738	4,415	Total Equity Real Estate Investment Trusts (REITs) (Cost \$6,095,703)		
Urstadt Biddle Properties Inc. Class A	78,003	4,156	Real Estate Management & Development (3.9%)		
* Retail Value Inc.	176,594	3,931	Diversified Real Estate Activities (0.2%)		
Whitestone REIT	92,974	3,072	* St. Joe Co.	236,430	4,173
* Spirit MTA REIT	205,313	2,669	* Five Point Holdings LLC Class A	331,081	3,705
Cedar Realty Trust Inc.	266,308	2,660	RMR Group Inc. Class A	35,964	3,122
	543,436	2,587	* Tejon Ranch Co.	130,577	3,055
		1,007,225			14,055
Specialized REITs (31.2%)					
American Tower Corp.	2,607,796	386,580	Real Estate Development (0.5%)		
Crown Castle International Corp.	2,406,954	266,763	* Howard Hughes Corp.	243,733	33,038
Equinix Inc.	468,653	205,870	* Forestar Group Inc.	61,448	1,395
Public Storage	926,778	201,880			34,433
Real Estate Operating Companies (0.3%)					
			Kennedy-Wilson Holdings Inc.	803,636	16,796
			* FRP Holdings Inc.	41,352	2,688
					19,484

Real Estate II Index Fund

	Shares	Market Value* (\$000)
Real Estate Services (2.9%)		
* CBRE Group Inc.		
Class A	1,909,082	95,072
Jones Lang LaSalle Inc.	268,886	45,982
^ Realogy Holdings Corp.	773,928	16,926
HFF Inc. Class A	216,683	9,753
*^ Redfin Corp.	265,807	6,512
RE/MAX Holdings Inc.		
Class A	104,554	5,312
* Marcus & Millichap Inc.	113,209	4,552
*^ Altisource Portfolio Solutions SA	67,855	2,260
		186,369
Total Real Estate Management & Development (Cost \$246,668)		254,341
Total Common Stocks (Cost \$6,342,371)		6,439,148
Temporary Cash Investment (0.3%)		
Money Market Fund (0.3%)		
1,2 Vanguard Market Liquidity Fund, 2.145%	160,564	16,056
Total Temporary Cash Investments (Cost \$16,056)		16,056
Total Investments (100.3%) (Cost \$6,358,427)		6,455,204
		Amount (\$000)
Other Assets and Liabilities (-0.3%)		
Other Assets		
Investment in Vanguard		340
Receivables for Accrued Income		3,887
Other Assets		882
Total Other Assets		5,109
Payables for Investment Securities		
Purchased		(14,247)
Collateral for Securities on Loan		(6,703)
Payables to Vanguard		(266)
Total Liabilities		(21,216)
Net Assets (100%)		
Applicable to 325,763,666 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)		6,439,097
Net Asset Value Per Share		\$19.77

At July 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	6,449,020
Undistributed Net Investment Income	2,937
Accumulated Net Realized Losses	(109,637)
Unrealized Appreciation (Depreciation)	96,777
Net Assets	6,439,097

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$6,482,000.

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

2 Includes \$6,703,000 of collateral received for securities on loan. REIT—Real Estate Investment Trust.

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

Statement of Operations

	Six Months Ended July 31, 2018
	(\$000)
Investment Income	
Income	
Dividends	104,099
Interest ¹	1
Securities Lending—Net	56
Total Income	104,156
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	647
Management and Administrative	1,498
Marketing and Distribution	35
Custodian Fees	126
Auditing Fees	3
Shareholders' Reports	47
Trustees' Fees and Expenses	18
Total Expenses	2,374
Net Investment Income	101,782
Realized Net Gain (Loss)	
Capital Gain Distributions Received	14,967
Investment Securities Sold ¹	(124,653)
Futures Contracts	49
Realized Net Gain (Loss)	(109,637)
Change in Unrealized Appreciation (Depreciation) of Investment Securities¹	320,539
Net Increase (Decrease) in Net Assets Resulting from Operations	312,684

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

Statement of Changes in Net Assets

	Six Months Ended July 31, 2018	Sept. 26, 2017 ¹ to Jan. 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	101,782	85,094
Realized Net Gain (Loss)	(109,637)	9,589
Change in Unrealized Appreciation (Depreciation)	320,539	(223,762)
Net Increase (Decrease) in Net Assets Resulting from Operations	312,684	(129,079)
Distributions		
Net Investment Income	(113,149)	(70,790)
Realized Capital Gain	—	(9,589)
Return of Capital	—	(2,954)
Total Distributions	(113,149)	(83,333)
Capital Share Transactions		
Issued	—	6,255,491
Issued in Lieu of Cash Distributions	113,150	83,333
Redeemed	—	—
Net Increase (Decrease) from Capital Share Transactions	113,150	6,338,824
Total Increase (Decrease)	312,685	6,126,412
Net Assets		
Beginning of Period	6,126,412	—
End of Period ²	6,439,097	6,126,412

1 Inception.

2 Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$2,937,000 and \$14,304,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Sept. 26, 2017 ¹ to Jan. 31, 2018
Net Asset Value, Beginning of Period	\$19.17	\$20.00
Investment Operations		
Net Investment Income ²	.316	.268
Net Realized and Unrealized Gain (Loss) on Investments	.636	(.834)
Total from Investment Operations	.952	(.566)
Distributions		
Dividends from Net Investment Income	(.352)	(.225)
Distributions from Realized Capital Gains	—	(.030)
Return of Capital	—	(.009)
Total Distributions	(.352)	(.264)
Net Asset Value, End of Period	\$19.77	\$19.17
Total Return	5.13%	-2.89%
Ratios/Supplemental Data		
Net Assets, End of Period (Millions)	\$6,439	\$6,126
Ratio of Total Expenses to Average Net Assets	0.08%	0.08% ³
Ratio of Net Investment Income to Average Net Assets	3.41%	3.84% ³
Portfolio Turnover Rate	20%	1%

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

¹ Inception.

² Calculated based on average shares outstanding.

³ Annualized.

Notes to Financial Statements

Vanguard Real Estate II Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund is a wholly owned subsidiary of Vanguard Real Estate Index Fund, and at July 31, 2018, the Real Estate Index Fund was the record and beneficial owner of 100% of the fund's net assets. As part of the Real Estate Index Fund's principal investment strategy, it attempts to replicate the benchmark index by investing all, or substantially all, of its assets—either directly or indirectly through the fund—in the stocks that make up the index.

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.

2. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The fund may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The 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 assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the six months ended July 31, 2018, 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. The fund had no open futures contracts at July 31, 2018.

3. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for its open federal income tax period ended January 31, 2018, and for the period ended July 31, 2018, and has concluded that no provision for federal income tax is required in the fund's financial statements.

4. Distributions: Distributions to shareholders are recorded on the ex-dividend date. The portion of distributions that exceeds a fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital.

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 Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the fund is entitled to all distributions made on or in respect of the loaned securities.

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

The fund had no borrowings outstanding at July 31, 2018, or at any time during the period then ended.

7. Other: Distributions received from investment securities are recorded on the ex-dividend date. Each investment security typically reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the investment securities, and management's estimates of such amounts for investment security distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. 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. Fees assessed on redemptions of capital shares are credited to paid-in capital.

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. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the fund's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets. All other costs of operations payable to Vanguard 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 July 31, 2018, the fund had contributed to Vanguard capital in the amount of \$340,000, representing 0.01% of the fund's net assets and 0.14% of Vanguard's capitalization. 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. 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 valued with significant unobservable inputs are noted on the Statement of Net Assets.

At July 31, 2018, 100% of the market value of the fund's investments was determined based on Level 1 inputs.

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

At July 31, 2018, the cost of investment securities for tax purposes was \$6,358,427,000. Net unrealized appreciation of investment securities for tax purposes was \$96,777,000, consisting of unrealized gains of \$327,890,000 on securities that had risen in value since their purchase and \$231,113,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended July 31, 2018, the fund purchased \$1,327,181,000 of investment securities and sold \$1,196,108,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Six Months Ended July 31, 2018	September 26, 2017 ¹ to January 31, 2018
	Shares (000)	Shares (000)
Issued	—	315,418
Issued in Lieu of Cash Distributions	6,199	4,147
Redeemed	—	—
Net Increase (Decrease) in Shares Outstanding	6,199	319,565

¹ Inception.

G. Management has determined that no events or transactions occurred subsequent to July 31, 2018, that would require recognition or disclosure in these financial statements.

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 July 31, 2018

	Beginning Account Value 1/31/2018	Ending Account Value 7/31/2018	Expenses Paid During Period
Based on Actual Fund Return			
Real Estate Index Fund			
Investor Shares	\$1,000.00	\$1,050.77	\$1.32
ETF Shares	1,000.00	1,051.28	0.61
Admiral Shares	1,000.00	1,051.40	0.61
Institutional Shares	1,000.00	1,051.36	0.51
Real Estate II Index Fund	\$1,000.00	\$1,051.30	\$0.41

Based on Hypothetical 5% Yearly Return

Real Estate Index Fund			
Investor Shares	\$1,000.00	\$1,023.51	\$1.30
ETF Shares	1,000.00	1,024.20	0.60
Admiral Shares	1,000.00	1,024.20	0.60
Institutional Shares	1,000.00	1,024.30	0.50
Real Estate II Index Fund	\$1,000.00	\$1,024.40	\$0.40

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are: for the Real Estate Index Fund, 0.26% for Investor Shares, 0.12% for ETF Shares, 0.12% for Admiral Shares, and 0.10% for Institutional Shares; and for the Real Estate II Index Fund, 0.08%. 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 (181/365).

Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Real Estate Index Fund (formerly Vanguard REIT Index Fund) and the board of trustees of Vanguard Real Estate II Index Fund (formerly Vanguard REIT II Index Fund) have renewed their respective fund's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard), through its Equity Index Group. Each board determined that continuing the respective fund's internalized management structure was in the best interests of the fund and its shareholders.

Each 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.

Each 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, each 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 of each board 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 either board approved its respective fund's arrangement. Rather, it was the totality of the circumstances that drove each board's decision.

Nature, extent, and quality of services

The board of the Real Estate Index Fund reviewed the quality of that fund's investment management services over both the short and long term, while the board of the Real Estate II Index Fund reviewed the quality of that fund's investment management services since its inception in 2017. Each board took into account the organizational depth and stability of the advisor and considered that Vanguard has been managing investments for more than four decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

Each board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement with its respective fund.

Investment performance

The board of the Real Estate Index Fund considered the short- and long-term performance of that fund, including any periods of outperformance or underperformance compared with its target index and peer group, while the board of the Real Estate II Index Fund considered the performance of that fund compared with its target index and peer group since inception. Each board concluded that the performance of its respective fund was such that its advisory arrangement should continue. Information about each fund's most recent performance can be found on the Performance Summary pages of this report.

Cost

The board of the Real Estate Index Fund concluded that that 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 of the Real Estate II Index Fund concluded that, while that fund had not yet been in existence for a full fiscal year, the fund's estimated expense ratio was well below the average expense ratio charged by funds in its peer group. Information about each fund's expenses appears in the About Your Fund's Expenses section of this report as well as in the Financial Statements sections.

Neither board conducts a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

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

Each board will consider whether to renew its respective fund's advisory arrangement again after a one-year period.

Glossary

Beta. A measure of the magnitude of a fund's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a fund with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the fund and the index. Note that a fund's beta should be reviewed in conjunction with its R-squared (see definition). The lower the R-squared, the less correlation there is between the fund and the index, and the less reliable beta is as an indicator of volatility.

Dividend Yield. Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a fund). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a fund, the dividend yield is based solely on stock holdings and does not include any income produced by other investments. This yield may include some payments that represent a return of capital, capital gains distributions, or both by the underlying stocks.

Earnings Growth Rate. The average annual rate of growth in earnings over the past five years for the stocks now in a fund.

Expense Ratio. A fund's total annual operating expenses expressed as a percentage of the fund's average net assets. The expense ratio includes management and administrative expenses, but does not include the transaction costs of buying and selling portfolio securities.

Foreign Holdings. The percentage of a fund represented by securities or depositary receipts of companies based outside the United States.

Inception Date. The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund's investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

Median Market Cap. An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

Price/Book Ratio. The share price of a stock divided by its net worth, or book value, per share. For a fund, the weighted average price/book ratio of the stocks it holds.

Price/Earnings Ratio. The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the expectations for a company's future growth.

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

Return on Equity. The annual average rate of return generated by a company during the past five years for each dollar of shareholder's equity (net income divided by shareholder's equity). For a fund, the weighted average return on equity for the companies whose stocks it holds.

Short-Term Reserves. The percentage of a fund invested in highly liquid, short-term securities that can be readily converted to cash.

Turnover Rate. An indication of the fund's trading activity. Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors). The turnover rate excludes in-kind transactions, which have minimal impact on costs.

Benchmark Information

Real Estate Spliced Index: 98% MSCI US REIT Index/2% Money Market Funds Average through 4/30/2009; 100% MSCI US REIT Index through 2/1/2018; 100% MSCI US IM Real Estate 25/50 Transition Index through 7/24/2018; 100% MSCI US IM Real Estate 25/50 Index thereafter.

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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 on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 208 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. 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.

Interested Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 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) of the Children's Hospital of Philadelphia.

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 Minnett Professor at the Rochester Institute of Technology. Lead 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. Trustee of the National Constitution Center.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

JoAnn Heffernan Heisen

Born in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its executive committee (1997–2008). Chief global diversity officer (retired 2008), vice president and chief information officer (1997–2006), controller (1995–1997), treasurer (1991–1995), and assistant treasurer (1989–1991) of Johnson & Johnson. Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation. Member of the advisory board of the Institute for Women’s Leadership at Rutgers University.

F. Joseph Loughrey

Born 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), Oxfam America, and the Lumina Foundation for Education. Director of the V Foundation for Cancer Research. Member of the advisory 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 (1989–present) and vice president (1996–present) 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. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, 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: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York 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 LLC (private investment firm). Overseer of the Museum of Fine Arts Boston.

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 of i(x) Investments, LLC.

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

Glenn Booraem

Born in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

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

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) 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. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. 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.

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

Chairman Emeritus and Senior Advisor

John J. Brennan

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

Founder

John C. Bogle

Chairman and Chief Executive Officer, 1974–1996



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

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

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

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

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