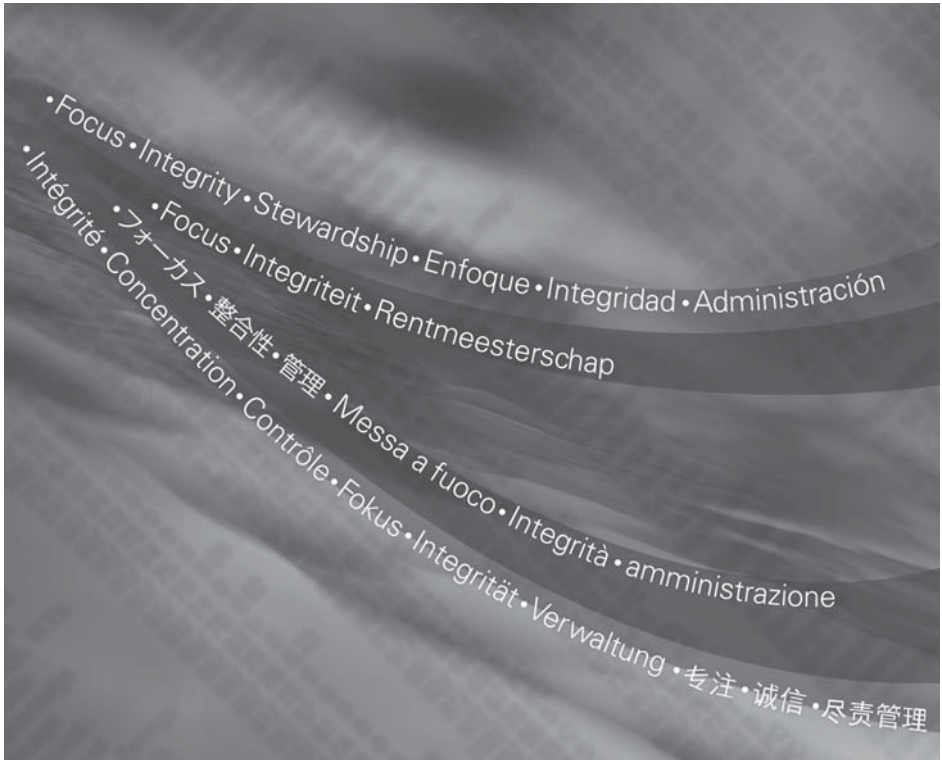




Vanguard®



Semiannual Report | July 31, 2017

Vanguard REIT Index Fund

A new format, unwavering commitment

As you begin reading this report, you'll notice that we've made some improvements to the opening sections—based on feedback from you, our clients.

Page 1 starts with a new "Your Fund's Performance at a Glance," a concise, handy summary of how your fund performed during the period.

In the renamed "Chairman's Perspective," Bill McNabb will focus on enduring principles and investment insights.

We've modified some tables, and eliminated some redundancy, but we haven't removed any information.

At Vanguard, we're always looking for better ways to communicate and to help you make sound investment decisions. Thank you for entrusting your assets to us.

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

Your Fund's Performance at a Glance

- For the six months ended July 31, 2017, Vanguard REIT Index Fund returned nearly 4% for Investor Shares. Returns for ETF, Admiral, and Institutional Shares were a bit higher. The results were in line with the fund's benchmark index but a bit lower than those of its peer group.
- Real estate investment trusts (REITs) lagged the broad market largely because of higher interest rates, which raise REITs' debt-financing costs and erode profit margins.
- Top-performing subsectors included industrial REITs (+24%), residential REITs (+12%), and health care REITs (+9%).
- The fund's largest subsector, retail REITs (-10%), was the biggest detractor. Results were held back by a general decline in the popularity of malls, store closures by national retailers, and an increase in online shopping. Office REITs (-4%) also produced negative results.

Total Returns: Six Months Ended July 31, 2017

	Total Returns
Vanguard REIT Index Fund	
Investor Shares	3.85%
ETF Shares	
Market Price	4.00
Net Asset Value	3.92
Admiral™ Shares	3.92
Institutional Shares	3.95
MSCI US REIT Index	3.98
Real Estate Funds Average	4.14

Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

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 prices 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	Peer Group Average
REIT Index Fund	0.26%	0.12%	0.12%	0.10%	1.28%

The fund expense ratios shown are from the prospectus dated May 25, 2017, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2017, the fund's 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. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2016.

Peer group: Real Estate Funds.

Chairman's Perspective



Bill McNabb
Chairman and Chief Executive Officer

Dear Shareholder,

It's said that fierce debates often generate more heat than light. And that's been true of the ongoing face-off between sharply divided advocates of index funds and of actively managed funds.

For too long, the decision regarding active and index investing has been framed as either-or: Just pick a side and go all-in. But this choice is actually much more nuanced than a binary yes or no.

You may feel that your allegiance can belong to only one sports team, but you don't have to approach investment strategies that way. (I'll root for the Philadelphia Eagles no matter whom they're playing, but my personal investment portfolio includes both index and active funds.)

Yes, indexing can be a valuable starting point for investors, and many may index their entire portfolio. But depending on your circumstances, an allocation to active management may be appropriate.

Recently published Vanguard research is illuminating on this point. Beyond helping you determine whether you're a good candidate for active strategies, the paper *Making the Implicit Explicit: A Framework for the Active-Passive Decision* can help establish active and passive allocation targets for a range of investors. (You can read the paper at vanguard.com/research.)

Notching a record of outperformance

We're a pioneer and leader in index fund investing, so why am I suggesting that active management may be appropriate?

Often overshadowed by our indexing reputation is Vanguard's commitment to—and success with—active management. We oversee about \$1 trillion in actively managed assets. And the results have been impressive, as the overwhelming majority of our active funds outperformed the average returns of their peers over the last decade.¹ In addition, nearly half of our active funds have outperformed

their benchmark indexes over the same period, a level of success that's not easy to achieve.²

Make no mistake: The challenges of outperforming the market through active management are steep. So Vanguard has developed an approach with distinct characteristics that can improve your chances of success.

Chief among those advantages are low costs. As I've written before, paying less for your funds is one way to improve your odds of achieving success in active

Market Barometer

	Total Returns Periods Ended July 31, 2017		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	9.24%	15.95%	14.85%
Russell 2000 Index (Small-caps)	5.35	18.45	14.19
Russell 3000 Index (Broad U.S. market)	8.94	16.14	14.79
FTSE All-World ex US Index (International)	14.05	18.81	8.11
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.51%	-0.51%	2.02%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.72	0.26	3.10
Citigroup Three-Month U.S. Treasury Bill Index	0.34	0.51	0.15
CPI			
Consumer Price Index	0.80%	1.73%	1.33%

The performance data shown represent past performance, which is not a guarantee of future results.

¹ For the ten years ended June 30, 2017, 50 of 53 fixed income, 19 of 19 balanced, and 38 of 40 stock fund share classes—or 107 of 112 share classes of active Vanguard funds—outperformed their peer-group averages. Source: Vanguard, based on data from Lipper, a Thomson Reuters Company.

² For the ten years ended June 30, 2017, 21 of 53 fixed income, 5 of 19 balanced, and 23 of 40 stock fund share classes—or 49 of 112 share classes of active Vanguard funds—outperformed their benchmark indexes. Source: Vanguard, based on data from Lipper, a Thomson Reuters Company.

management. Investors need to watch not only explicit costs, such as those reflected in fund expense ratios, but also implicit ones, such as trading costs, which can be significant because of the higher portfolio turnover associated with many active funds.

Historically, costs have been a reliable predictor of fund performance. But low costs don't guarantee positive results. Talent is also critical. For this reason, Vanguard dedicates a lot of time, attention, and resources to manager selection and the ongoing oversight of managers.

Reaching beyond our walls

To serve our investors, we're committed to identifying and attracting the best active managers across a range of investment styles and approaches. We recognize that not all great active managers reside in Valley Forge, Pennsylvania, where Vanguard is headquartered. As a result, we look across the world for managers for many of our active funds.

We oversee about \$600 billion in assets that are managed by external advisors and partner with more than 25 firms employing hundreds of investment professionals and supporting analysts. These firms are responsible for more than 70 investment mandates within our active portfolios.

Stay patient and control taxes

Costs and manager selection are critical, but they aren't the only necessities. You'll also need a healthy supply of what many investors don't possess in abundance: patience. Having the fortitude to wait is essential because even those active managers with the best track records go through significant periods of underperformance.

Patience is also crucial because investors in active strategies must stay disciplined and stick with them over time to take full advantage of the compounding benefits of outperformance. This is easy to say but often difficult to execute.

A few years ago, Vanguard looked at those actively managed domestic equity funds across the industry that did best over the previous 15 years. We found that even though these funds outperformed their benchmark indexes over that long period, 97% lagged the benchmarks in at least five calendar years. And two-thirds of the outperforming funds experienced at least three consecutive years of underperformance.³

Tax efficiency is another important consideration. In general, investors shouldn't hold active strategies in an account that lacks tax protection.

³ Source: Vanguard calculations for the 15 years ended December 31, 2012, using data from Morningstar, Inc.

The tax drag associated with most active funds because of their higher turnover can be neutralized by holding the investments in tax-advantaged accounts, such as IRAs and 401(k) plans.

If you keep your focus on these four considerations—costs, manager selection, patience, and taxes—you’ll enhance your chances of achieving success with actively managed funds.

As always, thank you for investing with Vanguard.

Sincerely,



F. William McNabb III
Chairman and Chief Executive Officer
August 14, 2017

Vanguard fund shareholders encouraged to vote in proxy campaign

This summer we are asking you to vote on the election of trustees for all U.S.-domiciled Vanguard funds, and on several fund policy proposals that we believe are in the best interests of all shareholders. As a shareholder of the REIT Index Fund, you will also be asked to vote on proposals that are specific to your fund.

Vanguard filed a proxy statement on August 14, 2017, with the U.S. Securities and Exchange Commission (SEC). Proxy materials are being provided to Vanguard fund shareholders with instructions on how to vote online, by phone, or by mail.

A shareholder meeting is scheduled to be held in Scottsdale, Arizona, on November 15, 2017, when voting will conclude. We encourage you to vote promptly. Please visit vanguard.com for updates.

REIT Index Fund

Fund Profile

As of July 31, 2017

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

	Fund	MSCI US REIT Index	DJ U.S. Total Market FA Index
Number of Stocks	158	156	3,786
Median Market Cap	\$10.2B	\$10.2B	\$61.2B
Price/Earnings Ratio	35.7x	35.6x	21.5x
Price/Book Ratio	2.3x	2.3x	2.8x
Return on Equity	5.0%	5.0%	15.1%
Earnings Growth Rate	17.7%	17.7%	10.1%
Dividend Yield	3.9%	3.9%	1.8%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate (Annualized)	6%	—	—
Short-Term Reserves	0.2%	—	—

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 REIT Index
Diversified REITs	7.7%	7.6%
Health Care REITs	12.5	12.5
Hotel & Resort REITs	6.4	6.4
Industrial REITs	7.1	7.1
Office REITs	13.1	13.1
Residential REITs	16.7	16.7
Retail REITs	19.1	19.1
Specialized REITs	17.4	17.5

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.

¹ The expense ratios shown are from the prospectus dated May 25, 2017, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2017, 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.

Volatility Measures

	MSCI US REIT Index	DJ U.S. Total Market FA Index
R-Squared	1.00	0.22
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)

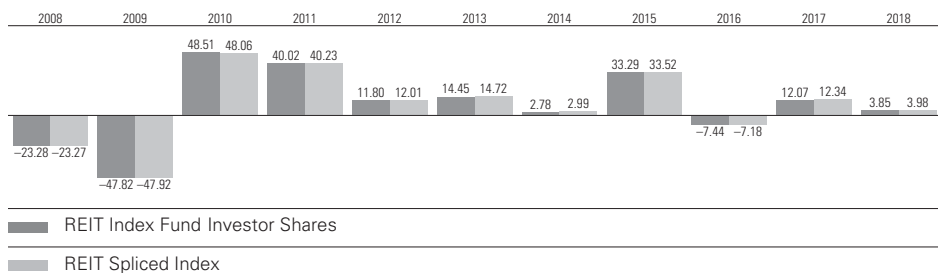
Simon Property Group Inc.	Retail REITs	5.9%
Equinix Inc.	Specialized REITs	4.1
Prologis Inc.	Industrial REITs	3.8
Public Storage	Specialized REITs	3.8
Welltower Inc.	Health Care REITs	3.1
AvalonBay Communities Inc.	Residential REITs	3.1
Equity Residential	Residential REITs	2.9
Ventas Inc.	Health Care REITs	2.8
Boston Properties Inc.	Office REITs	2.2
Digital Realty Trust Inc.	Office REITs	2.1
Top Ten		33.8%

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

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the 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, 2007, Through July 31, 2017



For a benchmark description, see the Glossary.

Note: For 2018, performance data reflect the six months ended July 31, 2017.

Average Annual Total Returns: Periods Ended June 30, 2017

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	-2.05%	9.13%	6.05%
ETF Shares	9/23/2004			
Market Price		-1.89	9.30	6.20
Net Asset Value		-1.91	9.28	6.18
Admiral Shares	11/12/2001	-1.93	9.28	6.18
Institutional Shares	12/2/2003	-1.88	9.30	6.21

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2017

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) (99.8%)¹			Health Care REITs (12.5%)		
Diversified REITs (7.6%)			² Welltower Inc.	27,406,940	2,011,395
² VEREIT Inc.	73,633,170	611,892	² Ventas Inc.	26,807,055	1,805,455
² Colony NorthStar Inc.			² HCP Inc.	35,391,179	1,120,131
Class A	40,409,250	591,591	^{^,2} Omega Healthcare Investors Inc.	14,871,768	469,799
² WP Carey Inc.	8,036,764	550,599	² Healthcare Trust of America Inc. Class A	14,463,668	442,444
² Liberty Property Trust	11,111,231	466,894	² Medical Properties Trust Inc.	27,067,714	351,339
² Forest City Realty Trust Inc. Class A	15,521,094	378,404	² Senior Housing Properties Trust	17,959,579	349,314
² Gramercy Property Trust	11,315,085	341,942	² Healthcare Realty Trust Inc.	8,803,886	293,169
² STORE Capital Corp.	12,927,275	302,369	² Physicians Realty Trust	13,428,479	250,038
² Spirit Realty Capital Inc.	36,552,037	289,858	² National Health Investors Inc.	3,011,661	232,651
Empire State Realty Trust Inc.	9,991,034	208,713	² LTC Properties Inc.	2,993,177	154,568
² PS Business Parks Inc.	1,538,993	206,933	² Care Capital Properties Inc.	6,348,531	153,761
² Washington REIT	5,649,187	188,852	^{*,2} Quality Care Properties Inc.	7,076,926	119,034
² Lexington Realty Trust	16,134,388	164,248	^{^,2} Sabra Health Care REIT Inc.	4,936,415	114,525
² Select Income REIT	5,071,399	119,026	² CareTrust REIT Inc.	5,006,901	91,326
² Global Net Lease Inc.	5,010,806	110,238	² Universal Health Realty Income Trust	976,782	75,681
² American Assets Trust Inc.	2,633,126	106,931	² New Senior Investment Group Inc.	6,210,211	64,524
^{*,2} iStar Inc.	4,903,566	58,598			8,099,154
² Investors Real Estate Trust	9,205,723	57,260	Hotel & Resort REITs (6.4%)		
² First Potomac Realty Trust	4,442,037	49,440	² Host Hotels & Resorts Inc.	55,882,454	1,042,767
² Armada Hoffer Properties Inc.	3,325,204	44,092	² Hospitality Properties Trust	12,419,441	360,909
² Gladstone Commercial Corp.	1,890,905	40,238	² Park Hotels & Resorts Inc.	11,370,337	306,203
² One Liberty Properties Inc.	1,005,147	24,706			
² Winthrop Realty Trust	1,892,511	15,172			
² RAIT Financial Trust	6,284,248	12,568			
		4,940,564			

REIT Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
² Apple Hospitality REIT Inc.	16,013,293	295,605	² Hudson Pacific Properties Inc.	11,701,526	382,874
² Sunstone Hotel Investors Inc.	16,660,490	271,233	^{*,2} Equity Commonwealth	9,380,275	296,229
² LaSalle Hotel Properties	8,546,642	252,468	² Cousins Properties Inc.	31,642,818	290,797
² Ryman Hospitality Properties Inc.	3,470,344	217,209	² Corporate Office Properties Trust	7,457,852	248,272
² RLJ Lodging Trust	9,422,929	199,389	² Paramount Group Inc.	14,825,169	242,688
^{^,2} Pebblebrook Hotel Trust	5,453,032	183,604	² Piedmont Office Realty Trust Inc. Class A	10,988,049	230,859
² DiamondRock Hospitality Co.	15,137,679	176,808	^{*,2} JBG SMITH Properties	6,433,194	228,250
² Xenia Hotels & Resorts Inc.	8,082,424	164,235	² Brandywine Realty Trust	13,242,829	222,612
² Summit Hotel Properties Inc.	7,779,088	139,479	² Columbia Property Trust Inc.	9,259,200	201,388
^{^,2} MGM Growth Properties LLC Class A	4,347,720	130,127	² Mack-Cali Realty Corp.	6,442,549	169,052
² Chesapeake Lodging Trust	4,543,962	114,644	^{^,2} Government Properties Income Trust	7,273,534	128,960
² FelCor Lodging Trust Inc.	9,398,120	69,358	² New York REIT Inc.	12,540,847	108,353
² Chatham Lodging Trust	2,904,280	60,061	² Franklin Street Properties Corp.	7,702,633	81,417
² Hersha Hospitality Trust Class A	3,159,286	59,268	² Parkway Inc.	3,342,117	76,902
² Ashford Hospitality Trust Inc.	7,280,284	45,793	² Tier REIT Inc.	3,615,725	66,819
² Ashford Hospitality Prime Inc.	1,917,324	19,863	² Easterly Government Properties Inc.	2,676,063	53,494
		<u>4,109,023</u>	² NorthStar Realty Europe Corp.	4,024,905	51,962
Industrial REITs (7.1%)					<u>8,436,789</u>
² Prologis Inc.	40,014,956	2,433,310	Residential REITs (16.7%)		
² Duke Realty Corp.	26,877,223	768,420	² AvalonBay Communities Inc.	10,381,294	1,996,842
² DCT Industrial Trust Inc.	6,947,664	391,431	² Equity Residential	27,750,145	1,888,675
² First Industrial Realty Trust Inc.	8,864,077	270,532	² Essex Property Trust Inc.	4,955,102	1,296,750
² EastGroup Properties Inc.	2,519,011	219,607	² Mid-America Apartment Communities Inc.	8,583,194	888,618
² STAG Industrial Inc.	6,204,112	169,310	² UDR Inc.	20,211,126	790,053
² Rexford Industrial Realty Inc.	5,037,487	143,669	² Camden Property Trust	6,616,089	593,463
² Terreno Realty Corp.	3,592,867	124,385	² Equity LifeStyle Properties Inc.	6,230,632	543,934
² Monmouth Real Estate Investment Corp.	4,829,584	74,424	² Apartment Investment & Management Co. Class A	11,868,984	540,632
		<u>4,595,088</u>	² Sun Communities Inc.	5,919,702	526,913
Office REITs (13.1%)			² American Campus Communities Inc.	9,985,516	478,706
² Boston Properties Inc.	11,625,498	1,405,639	² American Homes 4 Rent Class A	17,457,140	401,689
² Vornado Realty Trust	12,865,285	1,020,860	² Starwood Waypoint Homes	9,439,047	329,989
² Alexandria Real Estate Equities Inc.	6,718,254	814,588	^{^,2} Education Realty Trust Inc.	5,531,539	207,709
² SL Green Realty Corp.	7,603,034	785,165	² Monogram Residential Trust Inc.	11,986,746	143,361
² Kilroy Realty Corp.	7,390,725	512,990			
² Douglas Emmett Inc.	10,993,762	420,621			
² Highwoods Properties Inc.	7,686,290	395,998			

REIT Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
^2 Independence Realty Trust Inc.	5,220,338	52,830	2 Cedar Realty Trust Inc.	6,463,815	33,483
2 Altisource Residential Corp.	3,872,771	50,385	^2 Whitestone REIT Urstadt Biddle Properties Inc.	2,256,130	29,442
2 UMH Properties Inc.	2,049,171	33,893		58,856	1,059
2 NexPoint Residential Trust Inc.	1,194,525	29,971			<u>12,310,954</u>
		10,794,413	Specialized REITs (17.4%)		
Retail REITs (19.0%)			2 Equinix Inc.	5,814,269	2,620,665
2 Simon Property Group Inc.	24,176,498	3,831,975	2 Public Storage	11,789,529	2,423,574
2 Realty Income Corp.	19,673,568	1,122,574	2 Digital Realty Trust Inc.	12,020,771	1,386,476
2 GGP Inc.	46,827,261	1,058,764	2 Extra Space Storage Inc.	9,517,914	756,674
2 Regency Centers Corp.	11,552,419	765,001	2 Iron Mountain Inc.	18,938,214	689,919
2 Federal Realty Investment Trust	5,190,540	688,421	2 Gaming and Leisure Properties Inc.	13,389,143	507,984
2 Kimco Realty Corp.	31,563,383	636,949	2 DuPont Fabros Technology Inc.	5,859,225	365,206
2 Macerich Co.	9,246,024	530,629	2 CyrusOne Inc.	5,993,097	357,848
^2 National Retail Properties Inc.	11,129,517	444,958	2 EPR Properties	4,812,028	348,295
2 Brixmor Property Group Inc.	22,589,919	442,537	2 CubeSmart	13,622,225	335,924
2 Weingarten Realty Investors	9,199,112	298,603	2 CoreSite Realty Corp.	2,561,862	278,167
2 Taubman Centers Inc.	4,575,540	260,211	2 GEO Group Inc.	9,191,873	269,781
2 DDR Corp.	23,548,042	239,955	2 Life Storage Inc.	3,513,628	256,635
2 Retail Properties of America Inc.	17,901,098	236,832	2 CoreCivic Inc.	8,893,539	246,351
2 Urban Edge Properties	8,124,571	204,170	2 QTS Realty Trust Inc. Class A	3,606,603	192,845
2 Tanger Factory Outlet Centers Inc.	7,278,434	192,369	2 Four Corners Property Trust Inc.	4,534,808	115,093
2 Acadia Realty Trust	6,404,771	190,478	2 National Storage Affiliates Trust	3,259,710	74,843
2 Retail Opportunity Investments Corp.	7,744,666	157,062			<u>11,226,280</u>
2 Kite Realty Group Trust	6,317,189	129,692	Total Equity Real Estate Investment Trusts (REITs)		
2 Washington Prime Group Inc.	14,020,599	126,466	(Cost \$56,209,126)		64,512,265
^2 CBL & Associates Properties Inc.	12,914,122	113,515	Temporary Cash Investment (0.5%)¹		
2 Agree Realty Corp.	2,141,585	105,302	Money Market Fund (0.5%)		
2 Ramco-Gershenson Properties Trust	5,994,613	84,464	3,4 Vanguard Market Liquidity Fund, 1.217%		
^2 Seritage Growth Properties Class A	1,716,133	80,264	(Cost \$296,189)	2,961,448	296,204
Alexander's Inc.	173,792	75,598	Total Investments (100.3%)		
2 Getty Realty Corp.	2,492,184	64,747	(Cost \$56,505,315)		64,808,469
^2 Pennsylvania REIT Saul Centers Inc.	5,259,757	62,539	Other Assets and Liabilities (-0.3%)		
Urstadt Biddle Properties Inc. Class A	970,965	57,442	Other Assets		98,322
			Liabilities ⁴		<u>(283,670)</u>
					(185,348)
			Net Assets (100%)		64,623,121

REIT Index Fund

	Amount (\$000)
Statement of Assets and Liabilities	
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers	388,265
Other Affiliated Issuers	64,420,204
Total Investments in Securities	64,808,469
Investment in Vanguard	4,125
Receivables for Investment Securities	
Sold	6,918
Receivables for Accrued Income	53,655
Receivables for Capital Shares Issued	32,969
Other Assets	655
Total Assets	64,906,791
Liabilities	
Payables for Investment Securities	
Purchased	9,492
Collateral for Securities on Loan	193,525
Payables for Capital Shares Redeemed	49,367
Payables to Vanguard	30,872
Other Liabilities	414
Total Liabilities	283,670
Net Assets	64,623,121

At July 31, 2017, net assets consisted of:

	Amount (\$000)
Paid-in Capital	56,276,917
Overdistributed Net Investment Income	(41,593)
Accumulated Net Realized Gains	81,107
Unrealized Appreciation (Depreciation)	
Investment Securities	8,303,154
Swap Contracts	3,536
Net Assets	64,623,121

	Amount (\$000)
Investor Shares—Net Assets	
Applicable to 91,423,438 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	2,558,220
Net Asset Value Per Share— Investor Shares	\$27.98

ETF Shares—Net Assets	
Applicable to 412,673,020 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	34,763,058
Net Asset Value Per Share— ETF Shares	\$84.24

Admiral Shares—Net Assets	
Applicable to 157,408,791 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	18,792,838
Net Asset Value Per Share— Admiral Shares	\$119.39

Institutional Shares—Net Assets	
Applicable to 460,484,265 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	8,509,005
Net Asset Value Per Share— Institutional Shares	\$18.48

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

¹ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$187,543,000.

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 0.3%, 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.

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

4 Includes \$193,525,000 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, 2017

(\$000)

Investment Income	
Income	
Dividends	981,464
Interest	193
Securities Lending—Net	404
Total Income	982,061
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	2,106
Management and Administrative—Investor Shares	2,848
Management and Administrative—ETF Shares	16,389
Management and Administrative—Admiral Shares	9,374
Management and Administrative—Institutional Shares	3,430
Marketing and Distribution—Investor Shares	205
Marketing and Distribution—ETF Shares	844
Marketing and Distribution—Admiral Shares	778
Marketing and Distribution—Institutional Shares	172
Custodian Fees	383
Shareholders' Reports—Investor Shares	215
Shareholders' Reports—ETF Shares	2,062
Shareholders' Reports—Admiral Shares	425
Shareholders' Reports—Institutional Shares	64
Trustees' Fees and Expenses	21
Total Expenses	39,316
Net Investment Income	942,745
Realized Net Gain (Loss)	
Capital Gain Distributions Received	151,614
Investment Securities Sold	893,912
Futures Contracts	(59)
Swap Contracts	(7,569)
Realized Net Gain (Loss)	1,037,898
Change in Unrealized Appreciation (Depreciation)	
Investment Securities	438,299
Swap Contracts	4,405
Change in Unrealized Appreciation (Depreciation)	442,704
Net Increase (Decrease) in Net Assets Resulting from Operations	2,423,347

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

Statement of Changes in Net Assets

	Six Months Ended July 31, 2017	Year Ended January 31, 2017
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	942,745	1,637,151
Realized Net Gain (Loss)	1,037,898	2,373,668
Change in Unrealized Appreciation (Depreciation)	442,704	2,177,388
Net Increase (Decrease) in Net Assets Resulting from Operations	2,423,347	6,188,207
Distributions		
Net Investment Income		
Investor Shares	(41,273)	(73,006)
ETF Shares	(579,064)	(913,086)
Admiral Shares	(308,938)	(491,479)
Institutional Shares	(135,199)	(213,737)
Realized Capital Gain		
Investor Shares	—	(18,164)
ETF Shares	—	(218,412)
Admiral Shares	—	(117,607)
Institutional Shares	—	(50,930)
Return of Capital		
Investor Shares	—	(33,133)
ETF Shares	—	(411,208)
Admiral Shares	—	(221,353)
Institutional Shares	—	(96,185)
Total Distributions	(1,064,474)	(2,858,300)
Capital Share Transactions		
Investor Shares	(100,672)	(198,893)
ETF Shares	518,353	4,811,962
Admiral Shares	46,851	2,316,263
Institutional Shares	533,365	564,537
Net Increase (Decrease) from Capital Share Transactions	997,897	7,493,869
Total Increase (Decrease)	2,356,770	10,823,776
Net Assets		
Beginning of Period	62,266,351	51,442,575
End of Period ¹	64,623,121	62,266,351

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of (\$41,593,000) and \$87,705,000.

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2017	Year Ended January 31,				
	2017	2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$27.38	\$25.59	\$28.73	\$22.37	\$22.66	\$20.50
Investment Operations						
Net Investment Income	.391	.746	.711	.645	.579	.514
Net Realized and Unrealized Gain (Loss) on Investments	.653	2.324	(2.851)	6.650	.025	2.393
Total from Investment Operations	1.044	3.070	(2.140)	7.295	.604	2.907
Distributions						
Dividends from Net Investment Income	(.444)	(.752)	(.695)	(.624)	(.626)	(.514)
Distributions from Realized Capital Gains	—	(.187)	—	—	—	—
Return of Capital	—	(.341)	(.305)	(.311)	(.268)	(.233)
Total Distributions	(.444)	(1.280)	(1.000)	(.935)	(.894)	(.747)
Net Asset Value, End of Period	\$27.98	\$27.38	\$25.59	\$28.73	\$22.37	\$22.66
Total Return¹	3.85%	12.07%	-7.44%	33.29%	2.78%	14.45%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$2,558	\$2,603	\$2,621	\$3,231	\$2,482	\$2,817
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.26%	0.26%	0.24%	0.24%
Ratio of Net Investment Income to Average Net Assets	2.87%	2.60%	2.66%	2.56%	2.51%	2.39%
Portfolio Turnover Rate ²	6%	7%	11%	8%	11%	9%

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

1 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.

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

ETF Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2017	Year Ended January 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$82.43	\$77.05	\$86.49	\$67.36	\$68.24	\$61.72
Investment Operations						
Net Investment Income	1.236	2.334	2.217	2.011	1.814	1.613
Net Realized and Unrealized Gain (Loss) on Investments	1.970	7.022	(8.533)	20.038	.097	7.250
Total from Investment Operations	3.206	9.356	(6.316)	22.049	1.911	8.863
Distributions						
Dividends from Net Investment Income	(1.396)	(2.353)	(2.170)	(1.947)	(1.955)	(1.612)
Distributions from Realized Capital Gains	—	(.563)	—	—	—	—
Return of Capital	—	(1.060)	(.954)	(.972)	(.836)	(.731)
Total Distributions	(1.396)	(3.976)	(3.124)	(2.919)	(2.791)	(2.343)
Net Asset Value, End of Period	\$84.24	\$82.43	\$77.05	\$86.49	\$67.36	\$68.24
Total Return	3.92%	12.25%	-7.31%	33.41%	2.93%	14.64%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$34,763	\$33,527	\$27,007	\$29,487	\$18,528	\$16,983
Ratio of Total Expenses to Average Net Assets	0.12%	0.12%	0.12%	0.12%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.01%	2.74%	2.80%	2.70%	2.65%	2.53%
Portfolio Turnover Rate ¹	6%	7%	11%	8%	11%	9%

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

¹ 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, 2017	Year Ended January 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$116.83	\$109.19	\$122.58	\$95.46	\$96.70	\$87.47
Investment Operations						
Net Investment Income	1.749	3.306	3.142	2.852	2.569	2.285
Net Realized and Unrealized Gain (Loss) on Investments	2.788	9.966	(12.105)	28.403	.148	10.263
Total from Investment Operations	4.537	13.272	(8.963)	31.255	2.717	12.548
Distributions						
Dividends from Net Investment Income	(1.977)	(3.333)	(3.076)	(2.758)	(2.772)	(2.283)
Distributions from Realized Capital Gains	—	(.798)	—	—	—	—
Return of Capital	—	(1.501)	(1.351)	(1.377)	(1.185)	(1.035)
Total Distributions	(1.977)	(5.632)	(4.427)	(4.135)	(3.957)	(3.318)
Net Asset Value, End of Period	\$119.39	\$116.83	\$109.19	\$122.58	\$95.46	\$96.70
Total Return¹	3.92%	12.23%	-7.30%	33.46%	2.94%	14.63%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$18,793	\$18,337	\$15,029	\$15,725	\$7,987	\$7,399
Ratio of Total Expenses to Average Net Assets	0.12%	0.12%	0.12%	0.12%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.01%	2.74%	2.80%	2.70%	2.65%	2.53%
Portfolio Turnover Rate ²	6%	7%	11%	8%	11%	9%

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

1 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.

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

Institutional Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2017	Year Ended January 31,				
		2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	\$18.08	\$16.90	\$18.97	\$14.78	\$14.97	\$13.54
Investment Operations						
Net Investment Income	.273	.515	.489	.444	.400	.356
Net Realized and Unrealized Gain (Loss) on Investments	.435	1,540	(1,870)	4,390	.025	1,590
Total from Investment Operations	.708	2,055	(1,381)	4,834	.425	1,946
Distributions						
Dividends from Net Investment Income	(.308)	(.519)	(.479)	(.430)	(.431)	(.355)
Distributions from Realized Capital Gains	—	(.123)	—	—	—	—
Return of Capital	—	(.233)	(.210)	(.214)	(.184)	(.161)
Total Distributions	(.308)	(.875)	(.689)	(.644)	(.615)	(.516)
Net Asset Value, End of Period	\$18.48	\$18.08	\$16.90	\$18.97	\$14.78	\$14.97
Total Return¹	3.95%	12.23%	-7.27%	33.43%	2.97%	14.66%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$8,509	\$7,799	\$6,785	\$6,788	\$3,922	\$3,185
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.08%	0.08%
Ratio of Net Investment Income to Average Net Assets	3.03%	2.76%	2.82%	2.72%	2.67%	2.55%
Portfolio Turnover Rate ²	6%	7%	11%	8%	11%	9%

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

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

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.

Notes to Financial Statements

Vanguard REIT 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.

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, enhancing returns, 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 fund may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the 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 aggregate settlement values 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, 2017, the fund's average investments in long and short futures contracts represented less than 1% and 0%, respectively, of net assets, on the average of aggregate settlement values at each quarter-end during the period. The fund had no open futures contracts at July 31, 2017.

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 Assets and Liabilities. 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, 2017, 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, 2014–2017), and for the period ended July 31, 2017, 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. Distributions declared by the fund are reallocated at fiscal year-end to ordinary income, capital gain, and return of capital to reflect their tax character.

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 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, 2017, or at any time during the period then ended.

8. **Other:** Distributions received from REITs are recorded on the ex-dividend date. Each REIT 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 REITs, and management's estimates of such amounts for REIT distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold. 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) and shareholder reporting. 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 and Liabilities.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At July 31, 2017, the fund had contributed to Vanguard capital in the amount of \$4,125,000, representing 0.01% of the fund's net assets and 1.65% 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).

The following table summarizes the market value of the fund's investments as of July 31, 2017, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Real Estate Investment Trusts	64,497,093	—	15,172
Temporary Cash Investments	296,204	—	—
Swap Contracts—Assets	—	3,536	—
Total	64,793,297	3,536	15,172

D. At July 31, 2017, the fund had the following open total return swap contracts:

Reference Entity	Termination Date	Counterparty	Notional Amount (\$000)	Floating Interest Rate Received (Paid)	Unrealized Appreciation (Depreciation) (\$000)
Brixmor Property Group Inc.	8/28/17	GSCM	7,875	(1.228%)	349
Federal Realty Investment Trust	8/28/17	GSCM	33,543	(1.228%)	926
Gaming and Leisure Properties Inc.	9/21/17	GSCM	56,717	(1.228%)	1,298
Kimco Realty Corp.	8/28/17	GSCM	11,547	(1.228%)	756
Retail Opportunity Investment Corp.	8/28/17	GSCM	10,536	(1.228%)	207
					3,536

GSCM—Goldman Sachs Capital Management.

At July 31, 2017, a counterparty had deposited in a segregated account cash of \$3,250,000 in connection with open swap contracts.

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

During the six months ended July 31, 2017, the fund realized \$964,360,000 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 gains to paid-in capital.

At July 31, 2017, the cost of investment securities for tax purposes was \$56,505,315,000. Net unrealized appreciation of investment securities for tax purposes was \$8,303,154,000, consisting of unrealized gains of \$10,110,905,000 on securities that had risen in value since their purchase and \$1,807,751,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended July 31, 2017, the fund purchased \$5,806,406,000 of investment securities and sold \$4,673,746,000 of investment securities, other than temporary cash investments. Purchases and sales include \$2,629,190,000 and \$2,793,012,000, respectively, in connection with in-kind purchases and redemptions of the fund's capital shares.

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

	Six Months Ended July 31, 2017		Year Ended January 31, 2017	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	200,661	7,262	565,677	20,200
Issued in Lieu of Cash Distributions	38,733	1,409	117,019	4,262
Redeemed	(340,066)	(12,315)	(881,589)	(31,830)
Net Increase (Decrease)—Investor Shares	(100,672)	(3,644)	(198,893)	(7,368)
ETF Shares				
Issued	3,314,286	39,668	9,698,505	115,071
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed	(2,795,933)	(33,700)	(4,886,543)	(58,900)
Net Increase (Decrease)—ETF Shares	518,353	5,968	4,811,962	56,171
Admiral Shares				
Issued	1,729,137	14,685	4,651,310	39,078
Issued in Lieu of Cash Distributions	272,060	2,319	737,270	6,295
Redeemed	(1,954,346)	(16,551)	(3,072,317)	(26,057)
Net Increase (Decrease)—Admiral Shares	46,851	453	2,316,263	19,316
Institutional Shares				
Issued	1,163,449	63,645	1,775,348	96,049
Issued in Lieu of Cash Distributions	125,228	6,897	334,740	18,463
Redeemed	(755,312)	(41,371)	(1,545,551)	(84,706)
Net Increase (Decrease)—Institutional Shares	533,365	29,171	564,537	29,806

H. 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, 2017 Market Value (\$000)	Current Period Transactions				July 31, 2017 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Acadia Realty Trust	196,914	16,858	10,803	2,194	1,052	190,478
Agree Realty Corp.	93,077	13,284	5,724	1,670	—	105,302
Alexandria Real Estate Equities Inc.	661,333	132,753	44,659	5,973	2,608	814,588
Altisource Residential Corp.	—	54,179	955	574	—	50,385
American Assets Trust Inc.	111,900	6,668	5,591	1,112	20	106,931

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions				July 31, 2017 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
American Campus Communities Inc.	485,474	32,626	32,163	3,191	1,901	478,706
American Homes 4 Rent Class A	364,865	53,324	28,594	886	42	401,689
Apartment Investment & Management Co. Class A	526,976	33,554	37,269	2,366	6,261	540,632
Apple Hospitality REIT Inc.	254,259	85,629	20,061	7,719	405	295,605
Armada Hoffler Properties Inc.	35,538	12,467	2,574	1,160	—	44,092
Ashford Hospitality Prime Inc.	23,972	5,168	3,269	410	205	19,863
Ashford Hospitality Trust Inc.	56,353	2,557	3,357	—	—	45,793
AvalonBay Communities Inc.	1,821,329	131,440	156,004	20,879	8,528	1,996,842
Boston Properties Inc.	1,539,727	101,219	118,775	15,963	1,429	1,405,639
Brandywine Realty Trust	215,857	13,530	16,335	1,810	1,790	222,612
Brixmor Property Group Inc.	561,990	28,622	43,610	11,621	—	442,537
Camden Property Trust	559,077	35,842	41,796	3,758	6,139	593,463
Care Capital Properties Inc.	158,877	9,836	11,976	7,082	127	153,761
CareTrust REIT Inc.	71,948	8,592	4,244	1,557	—	91,326
CBL & Associates Properties Inc.	134,770	10,056	5,010	6,832	—	113,515
Cedar Realty Trust Inc.	38,029	2,732	1,818	147	—	33,483
Chatham Lodging Trust	59,483	3,018	3,977	1,812	39	60,061
Chesapeake Lodging Trust	117,765	6,328	7,513	3,371	7	114,644
Colony NorthStar Inc. Class A	559,904	37,920	34,773	20,398	—	591,591
Columbia Property Trust Inc.	199,767	18,234	12,038	1,268	—	201,388
CoreCivic Inc.	250,483	26,891	17,526	7,470	—	246,351
CoreSite Realty Corp.	223,642	15,382	18,852	4,344	—	278,167
Corporate Office Properties Trust	230,818	22,164	15,303	2,016	911	248,272
Cousins Properties Inc.	217,444	69,629	17,532	2,534	293	290,797
CubeSmart	344,856	21,218	23,895	7,187	168	335,924
CyrusOne Inc.	NA ²	122,845	18,863	1,160	—	357,848
DCT Industrial Trust Inc.	308,386	21,053	18,651	3,766	346	391,431
DDR Corp.	361,296	16,697	18,807	2,935	440	239,955
DiamondRock Hospitality Co.	173,307	10,259	12,787	3,436	—	176,808
Digital Realty Trust Inc.	1,312,413	89,058	108,789	21,778	628	1,386,476
Douglas Emmett Inc.	415,539	26,178	25,707	1,422	17	420,621

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions				July 31, 2017 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Duke Realty Corp.	653,127	52,126	51,842	4,688	5,483	768,420
DuPont Fabros Technology Inc.	274,547	23,426	18,862	5,529	—	365,206
Easterly Government Properties Inc.	53,384	6,003	6,776	1,143	—	53,494
EastGroup Properties Inc.	178,153	11,940	11,712	2,837	201	219,607
Education Realty Trust Inc.	224,847	13,154	15,530	2,998	3	207,709
EPR Properties	360,230	21,731	25,822	8,454	351	348,295
Equinix Inc.	2,094,111	301,521	165,847	22,637	—	2,620,665
Equity Commonwealth	281,565	25,519	17,679	—	—	296,229
Equity LifeStyle Properties Inc.	458,547	34,933	32,398	5,743	—	543,934
Equity Residential	1,700,169	119,446	134,013	14,681	13,311	1,888,675
Essex Property Trust Inc.	1,124,304	81,027	95,365	14,757	2,537	1,296,750
Extra Space Storage Inc.	693,628	48,033	56,528	14,342	535	756,674
Federal Realty Investment Trust	767,656	48,087	85,809	10,127	68	688,421
FelCor Lodging Trust Inc.	74,919	5,740	8,053	—	—	69,358
First Industrial Realty Trust Inc.	231,273	14,898	17,182	3,104	566	270,532
First Potomac Realty Trust	45,915	2,517	2,926	371	58	49,440
Forest City Realty Trust Inc. Class A	NA ²	25,104	92,370	2,689	371	378,404
Four Corners Property Trust Inc.	95,138	10,090	5,784	2,139	—	115,093
Franklin Street Properties Corp.	98,735	5,009	5,428	1,982	113	81,417
Gaming and Leisure Properties Inc.	451,949	5,707	39,835	16,319	610	507,984
GEO Group Inc.	238,351	35,418	19,161	9,905	—	269,781
Getty Realty Corp.	53,660	12,862	3,335	732	413	64,747
GGP Inc.	NA ²	133,127	69,726	19,900	—	1,058,764
Gladstone Commercial Corp.	35,673	3,432	1,906	1,379	—	40,238
Global Net Lease Inc.	100,412	21,008	5,371	4,500	16	110,238
Government Properties Income Trust	105,148	41,148	8,066	3,041	317	128,960
Gramercy Property Trust	283,551	38,241	23,004	8,210	—	341,942
HCP Inc.	1,057,091	95,057	77,106	17,771	477	1,120,131
Healthcare Realty Trust Inc.	267,885	17,594	19,739	2,801	847	293,169
Healthcare Trust of America Inc. Class A	306,954	140,534	25,980	5,294	—	442,444

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions				July 31, 2017 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Hersha Hospitality Trust Class A	65,320	3,157	5,213	1,649	—	59,268
Highwoods Properties Inc.	388,011	28,279	21,016	4,737	1,742	395,998
Hospitality Properties Trust	387,308	24,792	25,083	12,316	—	360,909
Host Hotels & Resorts Inc.	1,026,815	67,275	84,093	15,046	7,259	1,042,767
Hudson Pacific Properties Inc.	396,078	44,225	25,802	4,262	239	382,874
Independence Realty Trust Inc.	46,445	4,627	2,919	1,874	—	52,830
Investors Real Estate Trust	59,808	2,734	3,154	322	530	57,260
Iron Mountain Inc.	685,207	43,846	50,632	17,493	—	689,919
iStar Inc.	61,435	3,685	10,587	—	—	58,598
JBG SMITH Properties	—	211,191	118	—	—	228,250
Kilroy Realty Corp.	528,491	58,190	34,092	3,671	1,525	512,990
Kimco Realty Corp.	800,160	49,713	61,797	5,582	8,947	636,949
Kite Realty Group Trust	153,379	7,334	8,460	2,989	—	129,692
LaSalle Hotel Properties	261,084	15,415	18,276	7,446	230	252,468
Lexington Realty Trust	175,028	9,989	11,768	3,932	—	164,248
Liberty Property Trust	431,139	28,144	32,930	5,802	2,240	466,894
Life Storage Inc.	284,634	19,836	17,889	6,914	—	256,635
LTC Properties Inc.	136,343	11,608	8,086	2,476	291	154,568
Macerich Co.	641,794	37,358	42,824	5,773	6,838	530,629
Mack-Cali Realty Corp.	182,681	10,589	12,632	1,259	72	169,052
Medical Properties Trust Inc.	295,035	73,944	21,720	9,017	470	351,339
MGM Growth Properties LLC Class A	113,887	6,624	8,325	3,395	—	130,127
Mid-America Apartment Communities Inc.	825,028	57,370	68,410	14,657	21	888,618
Monmouth Real Estate Investment Corp.	68,492	5,574	3,500	695	33	74,424
Monogram Residential Trust Inc.	123,338	7,030	8,188	1,524	124	143,361
National Health Investors Inc.	221,854	15,811	14,645	4,494	882	232,651
National Retail Properties Inc.	490,928	29,321	34,556	8,489	88	444,958
National Storage Affiliates Trust	72,371	4,667	4,562	1,624	—	74,843
New Senior Investment Group Inc.	57,232	7,803	2,796	1,057	69	64,524

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions				July 31, 2017 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
New York REIT Inc.	126,386	6,511	7,937	—	—	108,353
NexPoint Residential Trust Inc.	30,185	1,691	4,373	463	20	29,971
NorthStar Realty Europe Corp.	55,954	2,723	10,398	820	—	51,962
Omega Healthcare Investors Inc.	474,785	31,394	28,965	14,212	187	469,799
One Liberty Properties Inc.	23,230	1,528	1,447	510	365	24,706
Paramount Group Inc.	224,305	33,563	12,029	1,236	—	242,688
Park Hotels & Resorts Inc.	NA ²	92,856	31,723	9,047	—	306,203
Parkway Inc.	71,947	4,164	4,731	673	—	76,902
Pebblebrook Hotel Trust	157,680	15,316	10,080	4,136	—	183,604
Pennsylvania REIT	95,545	4,303	5,173	99	—	62,539
Physicians Realty Trust	191,090	75,103	13,764	3,264	—	250,038
Piedmont Office Realty Trust Inc. Class A	241,417	14,323	17,038	2,230	1,066	230,859
Prologis Inc.	1,970,078	146,204	162,497	15,111	20,150	2,433,310
PS Business Parks Inc.	174,220	11,161	13,065	2,626	—	206,933
Public Storage	2,425,257	277,882	170,029	45,947	—	2,423,574
QTS Realty Trust Inc. Class A	184,034	11,105	13,394	2,706	—	192,845
Quality Care Properties Inc.	132,027	7,434	8,698	—	—	119,034
RAIT Financial Trust	24,668	1,028	2,966	149	223	12,568
Ramco-Gershenson Properties Trust	98,801	4,591	5,609	2,222	250	84,464
Realty Income Corp.	1,180,027	76,406	83,003	19,113	—	1,122,574
Regency Centers Corp.	557,628	73,371	51,180	6,821	994	765,001
Retail Opportunity Investments Corp.	176,709	10,048	22,878	2,074	122	157,062
Retail Properties of America Inc.	271,987	14,917	18,279	4,187	—	236,832
Rexford Industrial Realty Inc.	114,769	7,096	7,406	1,421	31	143,669
RLJ Lodging Trust	220,888	12,434	14,411	6,194	—	199,389
Ryman Hospitality Properties Inc.	215,012	12,977	15,747	5,331	221	217,209
Sabra Health Care REIT Inc.	126,889	7,049	8,589	1,919	95	114,525
Select Income REIT	128,330	7,294	8,766	3,758	774	119,026
Senior Housing Properties Trust	346,271	22,602	27,369	7,751	—	349,314
Seritage Growth Properties Class A	70,018	—	—	858	—	80,264
Silver Bay Realty Trust Corp.	43,697	1,400	57,224	—	—	—
Simon Property Group Inc.	4,419,387	297,781	277,652	82,399	1,675	3,831,975
SL Green Realty Corp.	836,650	59,442	66,206	5,580	6,219	785,165

	January 31, 2017 Market Value (\$000)	Current Period Transactions				July 31, 2017 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Spirit Realty Capital Inc.	386,215	20,629	21,085	8,271	189	289,858
STAG Industrial Inc.	126,455	27,247	7,661	2,612	—	169,310
Starwood Waypoint Homes	—	172	—	—	—	329,989
STORE Capital Corp.	277,597	46,742	18,198	7,049	167	302,369
Summit Hotel Properties Inc.	106,021	26,226	8,404	1,552	—	139,479
Sun Communities Inc.	414,680	82,342	25,979	2,601	1,844	526,913
Sunstone Hotel Investors Inc.	244,027	17,086	15,599	1,299	349	271,233
Tanger Factory Outlet Centers Inc.	251,411	13,124	15,157	4,631	45	192,369
Taubman Centers Inc.	327,490	18,001	20,945	4,935	432	260,211
Terreno Realty Corp.	96,103	7,119	5,222	1,300	51	124,385
Tier REIT Inc.	66,628	3,604	4,272	874	—	66,819
UDR Inc.	714,332	49,836	58,496	8,248	4,280	790,053
UMH Properties Inc.	—	57,637	23,335	—	—	33,893
Universal Health Realty Income Trust	61,745	3,593	4,711	1,017	178	75,681
Urban Edge Properties	212,935	26,943	13,749	3,453	—	204,170
Vanguard Market Liquidity Fund	149,286	NA ³	NA ³	182	—	296,204
Ventas Inc.	1,658,300	124,532	129,729	39,537	2,218	1,805,455
VEREIT Inc.	616,630	55,272	42,506	18,236	1,964	611,892
Vornado Realty Trust	1,382,302	85,769	98,885	5,618	3,567	1,020,860
Washington Prime Group Inc.	135,898	6,016	6,284	6,150	—	126,466
Washington REIT	177,272	11,707	11,219	2,101	101	188,852
Weingarten Realty Investors	331,196	18,590	21,346	5,404	1,656	298,603
Welltower Inc.	1,816,108	147,021	146,521	37,059	10,260	2,011,395
Whitestone REIT	30,721	1,919	1,288	692	187	29,442
Winthrop Realty Trust	15,172	—	—	—	—	15,172
WP Carey Inc.	476,167	52,371	29,368	14,360	82	550,599
Xenia Hotels & Resorts Inc.	148,670	9,132	9,266	4,437	—	164,235
	59,610,847			972,844	151,195	64,420,204

1 Includes net realized gain (loss) on affiliated investment securities sold of \$865,495,000.

2 Not Applicable—at January 31, 2017, the issuer was not an affiliated company of the fund.

3 Not Applicable—purchases and sales are for temporary cash investment purposes.

I. Management has determined that no material events or transactions occurred subsequent to July 31, 2017, 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, 2017

REIT Index Fund	Beginning Account Value 1/31/2017	Ending Account Value 7/31/2017	Expenses Paid During Period
Based on Actual Fund Return			
Investor Shares	\$1,000.00	\$1,038.48	\$1.31
ETF Shares	1,000.00	1,039.23	0.61
Admiral Shares	1,000.00	1,039.21	0.61
Institutional Shares	1,000.00	1,039.54	0.51
Based on Hypothetical 5% Yearly Return			
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

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 0.26% for Investor Shares, 0.12% for ETF Shares, 0.12% for Admiral Shares, and 0.10% for Institutional Shares. 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 Arrangement

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

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

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

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

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

Nature, extent, and quality of services

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

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

Investment performance

The board considered the short- and long-term performance of the fund, including any periods of outperformance or underperformance compared with its target index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the fund's most recent performance can be found in the Performance Summary section of this report.

Cost

The board concluded that the fund's expense ratio was well below the average expense ratio charged by funds in its peer group and that the fund's advisory expenses were also well below its peer-group average. Information about the fund's expenses appears in the About Your Fund's Expenses section of this report as well as in the Financial Statements section.

The board does not conduct 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

The board concluded that the 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.

The board will consider whether to renew the 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

REIT Spliced Index: MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT 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 195 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 Trustee¹

F. William McNabb III

Born 1957. Trustee Since July 2009. Chairman of the Board. Principal Occupation(s) During the Past Five Years and Other Experience: Chairman of the Board of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group, since January 2010; Chief Executive Officer and Director of The Vanguard Group and President and Chief Executive Officer of each of the investment companies served by The Vanguard Group, since 2008; Director of Vanguard Marketing Corporation; President of The Vanguard Group (2008–2017); Managing Director of The Vanguard Group (1995–2008).

Executive in Residence and 2009–2010

Distinguished Minett Professor at the Rochester Institute of Technology; Lead Director of SPX FLOW, Inc. (multi-industry manufacturing); Director of the United Way of Rochester, the University of Rochester Medical Center, Monroe Community College Foundation, North Carolina A&T University, and Roberts Wesleyan College; Trustee of the University of Rochester.

Rajiv L. Gupta

Born 1945. Trustee Since December 2001.² Principal Occupation(s) During the Past Five Years and Other Experience: Chairman and Chief Executive Officer (retired 2009) and President (2006–2008) of Rohm and Haas Co. (chemicals); Director of Arconic Inc. (diversified manufacturer), HP Inc. (printer and personal computer manufacturing), and Delphi Automotive plc (automotive components); Senior Advisor at New Mountain Capital.

Independent Trustees

Emerson U. Fullwood

Born 1948. Trustee Since January 2008. Principal Occupation(s) During the Past Five Years and Other Experience: Executive Chief Staff and Marketing Officer for North America and Corporate Vice President (retired 2008) of Xerox Corporation (document management products and services);

Amy Gutmann

Born 1949. Trustee Since June 2006. Principal Occupation(s) During the Past Five Years and Other Experience: President of the University of Pennsylvania; Christopher H. Browne

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

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

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.

JoAnn Heffernan Heisen

Born 1950. Trustee Since July 1998. Principal Occupation(s) During the Past Five Years and Other Experience: Corporate Vice President and Member of the 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 (pharmaceuticals/medical devices/consumer products); Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation; Member of the Advisory Board of the Institute for Women's Leadership at Rutgers University.

F. Joseph Loughrey

Born 1949. Trustee Since October 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2009) of Cummins Inc. (industrial machinery); Chairman of the Board of Hillenbrand, Inc. (specialized consumer services), 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 1953. Trustee Since March 2012. Principal Occupation(s) During the Past Five Years and Other Experience: Senior Vice President and

Chief Financial Officer (retired 2013) at IBM (information technology services); Fiduciary Member of IBM's Retirement Plan Committee (2004–2013); Director of the Dow Chemical Company; Member of the Council on Chicago Booth.

Scott C. Malpass

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

André F. Perold

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

Peter F. Volanakis

Born 1955. Trustee Since July 2009. Principal Occupation(s) During the Past Five Years and Other Experience: President and Chief Operating Officer (retired 2010) of Corning Incorporated (communications equipment); Chairman of the Board of Trustees of Colby-Sawyer College; Member of the Board of Hypertherm, Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem

Born 1967. Investment Stewardship Officer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Principal of The Vanguard Group, Inc.; Treasurer (2015–2017), Controller (2010–2015), and Assistant Controller (2001–2010) of each of the investment companies served by The Vanguard Group.

Thomas J. Higgins

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

Peter Mahoney

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

Anne E. Robinson

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

Michael Rollings

Born 1963. Treasurer Since February 2017. Principal Occupation(s) During the Past Five Years and Other Experience: Managing Director of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group; Director of Vanguard Marketing Corporation; Executive Vice President and Chief Financial Officer of MassMutual Financial Group (2006–2016).

Vanguard Senior Management Team

Mortimer J. Buckley	James M. Norris
John James	Thomas M. Rampulla
Martha G. King	Glenn W. Reed
John T. Marcante	Karin A. Risi
Chris D. McIsaac	Gregory Davis

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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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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