Annual Report | September 30, 2019

Vanguard Capital Value Fund

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

Important information about access to shareholder reports

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

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

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

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A Note From Our Chairman

Tim Buckley
Chairman and Chief Executive Officer

Dear Shareholder,

Recent volatility in financial markets—affecting stocks, bonds, and commodities—has been a good reminder of the wise old adage, "Never keep all your eggs in one basket." Maintaining balance and diversification in your investment portfolio can help to both limit risk and set you up for long-term success.

It's understandable why some investors might become complacent after a long market run-up like the one that lifted stock prices, especially U.S. stock prices, in the years following the global financial crisis. But failing to rebalance regularly can leave a portfolio with a much different mix of assets than intended and, often, more risk than intended.

Balance across and diversification within asset classes are powerful tools for managing risk and achieving your investment goals. A portfolio's allocation will determine a large portion of its long-term return and also the majority of its volatility risk. A well-diversified portfolio is less vulnerable to significant swings in the performance of any one segment of the asset classes in which it invests.

Balance and diversification will never eliminate the risk of loss, nor will they guarantee positive returns in a declining market. But they should reduce the chance that you'll suffer disproportionate losses in one particular high-flying asset class or sector when it comes back to earth. And exposure to all key market components should give you at least some participation in the sectors that are performing best at any given time.

Vanguard is committed to helping you achieve balance and diversification in your portfolios to help meet your investment goals. We thank you for your continued loyalty.

Sincerely,

Mortimer J. Buckley
Chairman and Chief Executive Officer
October 14, 2019

Your Fund's Performance at a Glance

- Vanguard Capital Value Fund returned –0.18% for the 12 months ended September 30, 2019, lagging its benchmark, the Russell 3000 Value Index, which returned 3.10%.
- The broad U.S. stock market advanced nearly 3% for the year, which was marked by sharp intervals of volatility and uncertainty. Investors fretted over U.S.-China trade, heightened tensions with Iran, the imbroglio over Britain's exit from the European Union, and whether an inverted yield curve signaled a recession ahead. With an eye toward the deteriorating global economic outlook, the Federal Reserve lowered short-term interest rates twice during the period to sustain the U.S. economic recovery.
- Large- and mid-capitalization stocks generally outdistanced their small-cap counterparts.
- The advisor's strong selections in communication services made that sector the largest contributor to returns. The fund's holdings in consumer staples, energy, health care, and financials lagged their benchmark counterparts and detracted most from relative results.

Market Barometer

	Average Annual Total Returns Periods Ended September 30, 2019		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	3.87%	13.19%	10.62%
Russell 2000 Index (Small-caps)	-8.89	8.23	8.19
Russell 3000 Index (Broad U.S. market)	2.92	12.83	10.44
FTSE All-World ex US Index (International)	-1.12	6.46	3.24
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	10.30%	2.92%	3.38%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	8.55	3.19	3.66
FTSE Three-Month U.S. Treasury Bill Index	2.36	1.52	0.95
CPI			
Consumer Price Index	1.71%	2.07%	1.53%

Advisor’s Report

For the 12 months ended September 30, 2019, Vanguard Capital Value Fund returned –0.18%, underperforming its benchmark, the Russell 3000 Value Index, which returned 3.10%.

The investment environment

Seven of the 11 sectors in the index posted positive returns and six sectors in the fund beat the return of the index as a whole. For the fund, the utilities, real estate, consumer discretionary, communication services, and information technology sectors exceeded the benchmark return by a wide margin, while industrials narrowly led the benchmark return. All other sectors for the fund trailed the benchmark’s result. Energy, consumer staples, health care, and financials posted negative returns.

Our shortfalls

Security selection drove relative underperformance. Weak selection in consumer staples, energy, and financials was partially offset by strong selection in communication services and industrials. Sector allocation also weighed on relative performance. The fund’s underweight allocation to utilities and overweight to energy detracted from results.

Within consumer staples, our holding of Walgreens Boots Alliance and British American Tobacco (BAT) hurt relative performance, as did our not holding Procter & Gamble. Walgreens traded down amid challenges for the drug retail industry as well as concerns about the Walgreens and Boots Alliance merger.

BAT has faced headwinds from faster-than-expected volume declines, competition from e-cigarettes and next-generation products, increased Food and Drug Administration regulation—specifically of menthol cigarettes—and increased balance sheet leverage on the back of an acquisition of Reynolds. We ultimately eliminated the name as our thesis about pricing and next-generation efforts offsetting volume declines was disproven.

We did not hold Procter & Gamble based on valuation discipline, because the company had been trading at a premium to industry peers.

In energy, our holdings of exploration and production companies Concho Resources and Cimarex Energy drove underperformance, along with our position in Halliburton.

Concho Resources, the fund’s largest detractor, reported disappointing second-quarter results and guidance for the balance of the year. Several poor operating decisions and cost inflation led to a production shortfall and increased expenses. Shares of Cimarex Energy declined as the company reported weak second-quarter results. In addition to lower-than-expected oil production guidance, the company contended with lower oil and natural gas prices because of pipeline constraints in the Permian Basin.

Shares of Halliburton and other oilfield services companies dropped during the period. Halliburton, a diversified provider with a large market share in U.S. onshore shale drilling and completion areas, has seen a sharp stock pullback as customers scaled back capital spending plans. While customers' oilfield spending can fluctuate widely, we anticipate an eventual tightening of Halliburton's services markets as providers reduce capacity to better align with customer demand. In the meantime, we believe the company's diversification and capital structure will allow it to maintain its equipment fleet while smaller competitors are forced to raid the cupboards for cash.

Our successes

Communication services marked an area of strength, with Comcast and Verizon contributing the most to relative results. Comcast shares rose during the period as the cable giant continued to exceed estimates on its high-speed internet business. Comcast also has gained traction with its message that the decline of traditional TV subscribers will hurt profits less than expected. Verizon demonstrated an encouraging trend of improving organic growth in its wireless services revenues. Investors also started to factor in benefits from the transition to 5G wireless, including new product offerings and uses, and the potential for different industry dynamics if T-Mobile and Sprint execute their merger plans.

Industrials also contributed to results, driven notably by Herman Miller and Johnson Controls. Herman Miller experienced strong sales and accelerating earnings growth in office furniture, equipment, and home furnishings. We continue to believe the company is moving from a period of apathy and compressed margins to one of operating leverage and pricing power. Johnson Controls, a manufacturer of HVAC and fire and security equipment, won investor favor by selling its Power Solutions battery business and redeploying capital into a large share buyback. Management also began focusing on improving operational execution to drive profitability.

Fund positioning and outlook

At the end of September, the fund's most significant overweightings relative to the Russell 3000 Value Index were in the information technology, real estate, and materials sectors. The most notable shifts in active positioning over the period—a function of bottom-up stock selection—included increases to our information technology, communication services, and health care weights, and reductions in our consumer staples, utilities, and financials weights.

Notable new purchases during the period included CVS Health, Intel, Raymond James, Humana, and Carter's. CVS Health is an integrated pharmacy health care provider that should benefit from the recent combination with Aetna. The stock was sold down as the market questioned CVS's ability to successfully integrate Aetna, but after a rocky start, we have been encouraged by management's execution. With Intel, we took advantage of near-term weakness to accumulate a position. We believe its data center business will reaccelerate once its cloud customers digest excess inventory and return to an order pattern that better matches their processing needs.

With Raymond James, we had an opportunity to add a best-in-class company at a depressed multiple because of broader industry headwinds. The company has meaningfully improved its competitive positioning and offers some of the highest organic growth among peers. Shares of Humana, which is primarily focused on the Medicare Advantage program for older adults, have been pressured by "Medicare-for-all" proposals in the platforms of several Democratic presidential candidates. We believe this is a harsh overreaction to a very unlikely outcome, and we felt positive underlying fundamentals had created a good opportunity to initiate a position.

Carter's, the owner of its eponymous brand as well as OshKosh B'gosh, Skip Hop, and other labels, came under selling pressure as investors worried about the potential imposition of 25% tariffs on the company's China-sourced infant, toddler, and children's apparel. The stock was trading at a discounted valuation relative to its long-term history, which we believe ignored the potential to adjust sourcing and supply chains prospectively.

Notable eliminations included Wells Fargo, PNC Financial, RenaissanceRe, AIG, and Walgreens Boots Alliance. We shed PNC Financial, AIG, and RenaissanceRe because they achieved our valuation targets and we found more compelling opportunities elsewhere. We abandoned Wells Fargo and Walgreens Boots Alliance because our thesis for each was disproven.

There is discussion in the financial press, and even within Wellington, about the multiyear underperformance of value stocks relative to their growth counterparts. Our team is working continuously to position the portfolio with stocks that are priced at a clear discount to their peers and to their fundamental value. At the same time, we are turning over every rock to find companies that are not only "cheap" on static metrics but that have a favorable future trajectory of sales, earnings, and distributable cash flows. We believe we have found an attractive balance of risk and reward in the fund as it is constructed today, and we have conviction that Vanguard investors will be well rewarded for their patience with value investing.

David W. Palmer, CFA
Senior Managing Director
and Equity Portfolio Manager

Wellington Management Company LLP

October 21, 2019

About Your Fund's Expenses

As a shareholder of the fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your fund and to compare these costs with those of other mutual funds. The examples are based on an investment of $1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your fund's costs in two ways:

- **Based on actual fund return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with $1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number given for your fund under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the fund's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the fund for buying and selling securities. Further, the expenses do not include any purchase, redemption, or account service fees described in the fund prospectus. If such fees were applied to your account, your costs would be higher. Your fund does not carry a "sales load."

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

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

Six Months Ended September 30, 2019

Capital Value Fund	Beginning Account Value 3/31/2019	Ending Account Value 9/30/2019	Expenses Paid During Period
Based on Actual Fund Return	$1,000.00	$1,056.74	$1.50
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.61	1.47

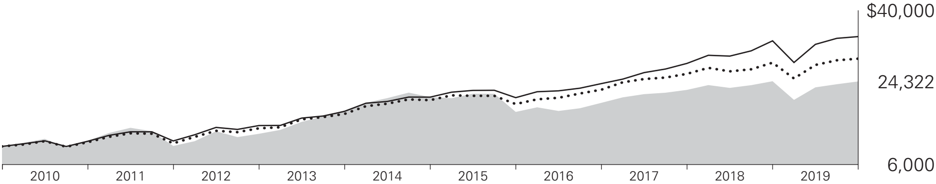
The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratio for that period is 0.29%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (183/365).

Capital Value Fund

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares.

Cumulative Performance: September 30, 2009, Through September 30, 2019
Initial Investment of $10,000



	Average Annual Total Returns Periods Ended September 30, 2019			
	One Year	Five Years	Ten Years	Final Value of a $10,000 Investment
Capital Value Fund	-0.18%	3.10%	9.29%	$24,322
Russell 3000 Value Index	3.10	7.76	11.36	29,336
Dow Jones U.S. Total Stock Market Float Adjusted Index	2.81	10.40	13.09	34,207

See Financial Highlights for dividend and capital gains information.

Sector Diversification

As of September 30, 2019

Communication Services	9.4%
Consumer Discretionary	6.2
Consumer Staples	5.4
Energy	8.6
Financials	17.6
Health Care	12.0
Industrials	11.0
Information Technology	12.4
Materials	6.3
Other	0.0
Real Estate	9.0
Utilities	2.1

The table reflects the fund's equity exposure, based on its investments in stocks. Any holdings in short-term reserves are excluded. 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.

Financial Statements

Statement of Net Assets

As of September 30, 2019

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

		Shares	Market Value• ($000)
	Common Stocks (98.8%)		
	Communication Services (9.3%)		
	Comcast Corp. Class A	570,836	25,733
	Verizon Communications Inc.	293,590	17,721
*	Electronic Arts Inc.	90,088	8,813
*	Alphabet Inc. Class A	7,050	8,609
*	Charter Communications Inc. Class A	19,800	8,160
*	T-Mobile US Inc.	67,500	5,317
			74,353
	Consumer Discretionary (6.1%)		
	Expedia Group Inc.	133,681	17,968
	Carter's Inc.	160,000	14,594
	General Motors Co.	232,857	8,727
	Steven Madden Ltd.	204,100	7,305
			48,594
	Consumer Staples (5.3%)		
	Philip Morris International Inc.	279,442	21,218
	Kroger Co.	546,859	14,098
	Archer-Daniels-Midland Co.	172,400	7,080
			42,396
	Energy (8.5%)		
	Chevron Corp.	141,561	16,789
	Canadian Natural Resources Ltd.	509,661	13,572
	Concho Resources Inc.	140,965	9,572
	Diamondback Energy Inc.	71,877	6,463
	Enbridge Inc.	163,800	5,746
	Cimarex Energy Co.	114,307	5,480
	Tenaris SA ADR	255,389	5,409
	Halliburton Co.	253,847	4,785
			67,816
	Financials (17.4%)		
	MetLife Inc.	497,754	23,474
	Raymond James Financial Inc.	200,600	16,541
	Citigroup Inc.	237,898	16,434
	Bank of America Corp.	529,000	15,431
	Unum Group	350,128	10,406
	TD Ameritrade Holding Corp.	202,900	9,475
*	Athene Holding Ltd. Class A	220,000	9,253
	Voya Financial Inc.	142,428	7,754
	Bank OZK	261,980	7,144
	London Stock Exchange Group plc	68,817	6,180
	CNO Financial Group Inc.	369,381	5,847
	Atlantic Union Bankshares Corp.	148,100	5,516
	Lancashire Holdings Ltd.	564,555	5,139
			138,594
	Health Care (11.9%)		
	CVS Health Corp.	362,873	22,886
	Humana Inc.	62,700	16,031
	McKesson Corp.	80,973	11,066
	Koninklijke Philips NV	233,563	10,774
	Bristol-Myers Squibb Co.	197,816	10,031
*	Centene Corp.	168,000	7,268
*	Biogen Inc.	27,283	6,352
	AstraZeneca plc ADR	137,400	6,124
*	Seattle Genetics Inc.	49,321	4,212
			94,744
	Industrials (10.9%)		
	Wabtec Corp.	199,500	14,336
	Steelcase Inc. Class A	652,155	12,000
	Southwest Airlines Co.	212,757	11,491
	Herman Miller Inc.	224,655	10,354
	Fortune Brands Home & Security Inc.	180,130	9,853
	Delta Air Lines Inc.	163,919	9,442
	Sanwa Holdings Corp.	730,100	8,204
	AO Smith Corp.	137,400	6,555
	Pentair plc	120,800	4,566
	Scorpio Bulkers Inc.	1	—
			86,801

		Shares	Market Value• ($000)
	Information Technology (12.3%)		
	Intel Corp.	352,600	18,170
	Western Digital Corp.	237,957	14,192
	KLA Corp.	88,016	14,034
	Samsung Electronics Co. Ltd.	261,016	10,687
	Amdocs Ltd.	141,935	9,383
	Genpact Ltd.	236,747	9,174
	Broadcom Inc.	30,582	8,443
*	Coherent Inc.	48,258	7,418
*	Micron Technology Inc.	143,500	6,149
*	Qorvo Inc.	1	—
			97,650
	Materials (6.2%)		
	Reliance Steel & Aluminum Co.	142,730	14,224
	Celanese Corp. Class A	106,155	12,982
	CRH plc	223,412	7,661
	Cabot Corp.	133,500	6,050
^	Nutrien Ltd.	102,300	5,096
*	Alcoa Corp.	167,800	3,368
			49,381
	Other (0.0%)		
*,§,1	Allstar Co-Invest LLC Private Placement	NA	214
	Real Estate (8.8%)		
	Equinix Inc.	21,317	12,296
	Americold Realty Trust	330,300	12,244
	Host Hotels & Resorts Inc.	637,677	11,025
	Simon Property Group Inc.	50,450	7,853
	Columbia Property Trust Inc.	361,539	7,647
	Brixmor Property Group Inc.	362,312	7,351
	Acadia Realty Trust	245,857	7,027
	American Tower Corp.	23,016	5,089
			70,532
	Utilities (2.1%)		
*	Iberdrola SA	853,556	8,872
	Sempra Energy	53,977	7,967
			16,839
	Total Common Stocks (Cost $737,618)		**787,914**
	Temporary Cash Investments (1.8%)		
	Money Market Fund (0.6%)		
2,3	Vanguard Market Liquidity Fund, 2.098%	50,512	5,052

	Face Amount ($000)	Market Value• ($000)
Repurchase Agreement (1.2%)		
RBS Securities, Inc. 2.350%, 10/1/19 (Dated 9/30/19, Repurchase Value $9,301,000, collateralized by U.S. Treasury Note/Bond 0.750%, 7/15/28, with a value of $9,486,000)	9,300	9,300
Total Temporary Cash Investments (Cost $14,352)		**14,352**
Total Investments (100.6%) (Cost $751,970)		**802,266**

	Amount ($000)
Other Assets and Liabilities (-0.6%)	
Other Assets	
Investment in Vanguard	37
Receivables for Investment Securities Sold	8
Receivables for Accrued Income	1,564
Receivables for Capital Shares Issued	168
Unrealized Appreciation—Forward Currency Contracts	27
Other Assets	65
Total Other Assets	**1,869**
Liabilities	
Collateral for Securities on Loan	(5,049)
Payables to Investment Advisor	(118)
Payables for Capital Shares Redeemed	(648)
Payables to Vanguard	(1,136)
Total Liabilities	**(6,951)**
Net Assets (100%)	
Applicable to 59,464,555 outstanding $.001 par value shares of beneficial interest (unlimited authorization)	**797,184**
Net Asset Value Per Share	**$13.41**

At September 30, 2019, net assets consisted of:

	Amount ($000)
Paid-in Capital	739,406
Total Distributable Earnings (Loss)	57,778
Net Assets	**797,184**

• 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 $4,837,000.

§ Security value determined using significant unobservable inputs.

1 Restricted security represents 0.0% of net assets. Shares not applicable for this Private Placement. See Restricted Security table for additional information.

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

3 Collateral of $5,049,000 was received for securities on loan.

ADR—American Depositary Receipt.

Restricted Securities as of Period End

Security Name	Acquisition Date	Acquisition Cost ($000)
Allstar Co-Invest LLC Private Placement	August 2011	459

Derivative Financial Instruments Outstanding as of Period End

Forward Currency Contracts

Counterparty	Contract Settlement Date	Contract Amount (000) Receive		Contract Amount (000) Deliver		Unrealized Appreciation ($000)	Unrealized (Depreciation) ($000)
Goldman Sachs International	12/18/19	USD	7,482	JPY	801,276	27	—

JPY—Japanese yen.

USD—U.S. dollar.

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

Statement of Operations

	Year Ended September 30, 2019
	($000)
Investment Income	
Income	
Dividends[1]	20,612
Interest[2]	183
Securities Lending—Net	31
Total Income	20,826
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	1,775
Performance Adjustment	(1,334)
The Vanguard Group—Note C	
Management and Administrative	1,689
Marketing and Distribution	69
Custodian Fees	8
Auditing Fees	32
Shareholders' Reports	15
Trustees' Fees and Expenses	1
Total Expenses	2,255
Net Investment Income	**18,571**
Realized Net Gain (Loss)	
Investment Securities Sold[2]	11,271
Forward Currency Contracts	345
Foreign Currencies	(3)
Realized Net Gain (Loss)	**11,613**
Change in Unrealized Appreciation (Depreciation)	
Investment Securities[2]	(37,282)
Forward Currency Contracts	(110)
Foreign Currencies	2
Change in Unrealized Appreciation (Depreciation)	**(37,390)**
Net Increase (Decrease) in Net Assets Resulting from Operations	**(7,206)**

1 Dividends are net of foreign withholding taxes of $316,000.

2 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were $0, ($1,000), and $1,000, respectively. Purchases and sales are for temporary cash investment purposes.

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

Statement of Changes in Net Assets

	Year Ended September 30, 2019 ($000)	2018 ($000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	18,571	18,141
Realized Net Gain (Loss)	11,613	81,935
Change in Unrealized Appreciation (Depreciation)	(37,390)	(27,061)
Net Increase (Decrease) in Net Assets Resulting from Operations	(7,206)	73,015
Distributions		
Net Investment Income	(18,899)	(17,678)
Realized Capital Gain	—	—
Total Distributions	(18,899)	(17,678)
Capital Share Transactions		
Issued	72,817	57,634
Issued in Lieu of Cash Distributions	17,308	16,300
Redeemed	(140,330)	(159,126)
Net Increase (Decrease) from Capital Share Transactions	(50,205)	(85,192)
Total Increase (Decrease)	(76,310)	(29,855)
Net Assets		
Beginning of Period	**873,494**	**903,349**
End of Period	**797,184**	**873,494**

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

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended September 30, 2019	2018	2017	2016	2015
Net Asset Value, Beginning of Period	**$13.79**	**$12.96**	**$11.50**	**$11.45**	**$15.32**
Investment Operations					
Net Investment Income	.299[1]	.273[1]	.241[1]	.180	.129[1]
Net Realized and Unrealized Gain (Loss) on Investments	(.377)	.817	1.420	1.060	(2.330)
Total from Investment Operations	(.078)	1.090	1.661	1.240	(2.201)
Distributions					
Dividends from Net Investment Income	(.302)	(.260)	(.201)	(.144)	(.175)
Distributions from Realized Capital Gains	—	—	—	(1.046)	(1.494)
Total Distributions	(.302)	(.260)	(.201)	(1.190)	(1.669)
Net Asset Value, End of Period	**$13.41**	**$13.79**	**$12.96**	**$11.50**	**$11.45**
Total Return[2]	**-0.18%**	**8.48%**	**14.56%**	**11.36%**	**-15.67%**
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	$797	$873	$903	$933	$1,059
Ratio of Total Expenses to Average Net Assets[3]	0.29%	0.29%	0.27%	0.25%	0.50%
Ratio of Net Investment Income to Average Net Assets	2.35%	2.04%	1.97%	1.51%	0.93%
Portfolio Turnover Rate	46%	47%	41%	134%	90%

1 Calculated based on average shares outstanding.

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

3 Includes performance-based investment advisory fee increases (decreases) of (0.17%), (0.17%), (0.19%), (0.20%), and 0.06%.

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

Notes to Financial Statements

Vanguard Capital Value Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund.

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 affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the fund's pricing time. When fair-value pricing is employed, the prices of securities used by a fund to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. Foreign Currency: Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the fund's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. Forward Currency Contracts: The fund enters into forward currency contracts to protect the value of securities and related receivables and payables against changes in future foreign exchange rates. The fund's risks in using these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the ability of the counterparties to fulfill their obligations under the contracts. The fund mitigates its counterparty risk by entering into forward currency contracts 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. The master netting arrangements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate the forward currency contracts, 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 forward currency contracts contain provisions whereby a counterparty may terminate open contracts if the fund's 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 assets 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 forward currency 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.

Forward currency contracts are valued at their quoted daily prices obtained from an independent third party, adjusted for currency risk based on the expiration date of each contract. 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 forward currency contract gains (losses).

During the year ended September 30, 2019, the fund's average investment in forward currency contracts represented 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. Repurchase Agreements: The fund enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the fund under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The fund further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

5. 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 (September 30, 2016–2019), and has concluded that no provision for federal income tax is required in the fund's financial statements.

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

7. 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.

8. Credit Facility: The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a $4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement 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 September 30, 2019, or at any time during the period then ended.

9. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the fund for a fee calculated at an annual percentage rate of average net assets. The basic fee is subject to quarterly adjustments based on the fund's performance relative to the Dow Jones U.S. Total Stock Market Float Adjusted Index for the preceding three years. For the year ended September 30, 2019, the investment advisory fee represented an effective annual basic rate of 0.22% of the fund's average net assets before a decrease of $1,334,000 (0.17%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund 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 September 30, 2019, the fund had contributed to Vanguard capital in the amount of $37,000, representing less than 0.01% of the fund's net assets and 0.01% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

D. 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 and derivatives as of September 30, 2019, based on the inputs used to value them:

Investments	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)
Common Stocks	740,957	46,743	214
Temporary Cash Investments	5,052	9,300	—
Forward Currency Contracts—Assets	—	27	—
Total	746,009	56,070	214

E. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for foreign currency transactions were reclassified between the individual components of total distributable earnings (loss).

	Amount ($000)
Paid-in Capital	—
Total Distributable Earnings (Loss)	—

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future.

The differences are primarily related to the tax deferral of losses on wash sales and the realization of unrealized gains or losses on certain forward currency contracts. As of period end, the tax-basis components of total distributable earnings (loss) are detailed in the table as follows:

	Amount ($000)
Undistributed Ordinary Income	12,869
Undistributed Long-Term Gains	—
Capital Loss Carryforwards (Non-expiring)*	(4,325)
Net Unrealized Gains (Losses)	50,277

* The fund used capital loss carryforwards of $11,506,000 to offset taxable capital gains realized during the year ended September 30, 2019.

As of September 30, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount ($000)
Tax Cost	751,986
Gross Unrealized Appreciation	102,049
Gross Unrealized Depreciation	(51,769)
Net Unrealized Appreciation (Depreciation)	50,280

F. During the year ended September 30, 2019, the fund purchased $359,505,000 of investment securities and sold $412,819,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Year Ended September 30,	
	2019 Shares (000)	2018 Shares (000)
Issued	5,738	4,316
Issued in Lieu of Cash Distributions	1,520	1,227
Redeemed	(11,130)	(11,915)
Net Increase (Decrease) in Shares Outstanding	(3,872)	(6,372)

H. Management has determined that no events or transactions occurred subsequent to September 30, 2019, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Malvern Funds and Shareholders of Vanguard Capital Value Fund

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Vanguard Capital Value Fund (one of the funds constituting Vanguard Malvern Funds, referred to hereafter as the "Fund") as of September 30, 2019, the related statement of operations for the year ended September 30, 2019, the statement of changes in net assets for each of the two years in the period ended September 30, 2019, including the related notes, and the financial highlights for each of the five years in the period ended September 30, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended September 30, 2019 and the financial highlights for each of the five years in the period ended September 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of September 30, 2019 by correspondence with the custodians and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
November 19, 2019

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

Special 2019 tax information (unaudited) for Vanguard Capital Value Fund

This information for the fiscal year ended September 30, 2019, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed $18,899,000 of qualified dividend income to shareholders during the fiscal year.

For corporate shareholders, 77.9% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

The People Who Govern Your Fund

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

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 212 Vanguard funds.

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

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

Director of the V Foundation and Oxfam America. 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) 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). Board of advisors and investment committee member of the Museum of Fine Arts Boston. Board member (2018–present) of RIT Capital Partners (investment firm); investment committee member of Partners Health Care System.

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

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).

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.

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

Vanguard Senior Management Team

Joseph Brennan	Chris D. McIsaac
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

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Text Telephone for People
Who Are Deaf or Hard of Hearing > 800-749-7273

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

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

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

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

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