



Vanguard[®]

Annual Report | September 30, 2018

Vanguard Capital Value Fund

Vanguard's Principles for Investing Success

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

Goals. Create clear, appropriate investment goals.

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

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

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

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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.

Your Fund's Performance at a Glance

- Vanguard Capital Value Fund returned 8.48% for the 12 months ended September 30, 2018. It trailed its benchmark and the average return of its peers.
- The advisor's strong selections in the consumer staples, real estate, industrial, and consumer discretionary sectors helped relative returns.
- The fund's holdings in health care, financials, and information technology lagged their benchmark counterparts and detracted from results.
- The fund's average annual return for the ten years ended September 30, 2018, outpaced those of its benchmark and its peers.

Total Returns: Fiscal Year Ended September 30, 2018

	Total Returns
Vanguard Capital Value Fund	8.48%
Russell 3000 Value Index	9.46
Multi-Cap Value Funds Average	9.60

Multi-Cap Value Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Total Returns: Ten Years Ended September 30, 2018

	Average Annual Return
Capital Value Fund	12.17%
Russell 3000 Value Index	9.76
Multi-Cap Value Funds Average	9.49

Multi-Cap Value Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

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

Expense Ratios

Your Fund Compared With Its Peer Group

	Fund	Peer Group Average
Capital Value Fund	0.27%	1.06%

The fund expense ratio shown is from the prospectus dated January 26, 2018, and represents estimated costs for the current fiscal year. For the fiscal year ended September 30, 2018, the fund's expense ratio was 0.29%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

Peer group: Multi-Cap Value Funds.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Shareholder,

Over the years, I've found that prudent investors exhibit a common trait: discipline. No matter how the markets move or what new investing fad hits the headlines, those who stay focused on their goals and tune out the noise are set up for long-term success.

The prime gateway to investing is saving, and you don't usually become a saver without a healthy dose of discipline. Savers make the decision to sock away part of their income, which means spending less and delaying gratification, no matter how difficult that may be.

Of course, disciplined investing extends beyond diligent saving. The financial markets, in the short term especially, are unpredictable; I have yet to meet the investor who can time them perfectly. It takes discipline to resist the urge to go all-in when markets are frothy or to retreat when things look bleak.

Staying put with your investments is one strategy for handling volatility. Another, rebalancing, requires even more discipline because it means steering your money away from strong performers and toward poorer performers.

Patience—a form of discipline—is also the friend of long-term investors. Higher returns are the potential reward for weathering the market's turbulence and uncertainty.

We have been enjoying one of the longest bull markets in history, but it won't continue forever. Prepare yourself now for how you will react when volatility comes back. Don't panic. Don't chase returns or look for answers outside the asset classes you trust. And be sure to rebalance periodically, even when there's turmoil.

Whether you're a master of self-control, get a boost from technology, or work with a professional advisor, know that discipline

is necessary to get the most out of your investment portfolio. And know that Vanguard is with you for the entire ride.

Thank you for your continued loyalty.

Sincerely,



Mortimer J. Buckley
 President and Chief Executive Officer
 October 18, 2018

Market Barometer

	Average Annual Total Returns Periods Ended September 30, 2018		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	17.76%	17.07%	13.67%
Russell 2000 Index (Small-caps)	15.24	17.12	11.07
Russell 3000 Index (Broad U.S. market)	17.58	17.07	13.46
FTSE All-World ex US Index (International)	2.13	10.18	4.51
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	-1.22%	1.31%	2.16%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	0.35	2.24	3.54
FTSE Three-Month U.S. Treasury Bill Index	1.57	0.80	0.48
CPI			
Consumer Price Index	2.28%	1.99%	1.52%

Advisor's Report

For the 12 months ended September 30, 2018, Vanguard Capital Value Fund returned 8.48%, lagging its benchmark, the Russell 3000 Value Index.

Investment environment

Ten of the 11 sectors in the index posted positive absolute total returns. The information technology, health care, and energy sectors exceeded the overall benchmark return by a wide margin. All other sectors trailed the overall benchmark's result, while the less-cyclical consumer staples sector was the only one to post a negative absolute total return.

We reduced the fund's holdings in financials and consumer discretionary as we felt the benefits to their earnings from rising interest rates and consumer discretionary income were becoming well-appreciated by investors. We found more interesting value among companies with idiosyncratic challenges in other segments of the market. For example, we added to industrials, telecommunication services, energy, and materials, where we saw attractive risk-reward opportunities in specific stocks.

Our shortfalls

Our security selections were strongest in real estate, consumer staples, and industrials but proved more difficult in financials, health care, and information technology. Positive sector allocation, particularly overweighting information technology and underweighting financials, partially offset the weakness from stock selection.

Shares of British American Tobacco (BAT) were the fund's largest detractors during the year, despite generally positive performance from consumer staples overall. BAT's earnings growth trajectory slowed because of weakness in certain foreign currencies, including the Russian ruble, Brazilian real, and South African rand. However, most of the stock's decline came from compression of the valuation investors placed on those earnings based on concerns over competitive threats from nontraditional entrants such as the e-cigarette maker JUUL.

The stock price of disk-drive and flash-memory producer Western Digital (WD) stumbled. Market participants sold out amid early evidence that the company's extended string of above-normal earnings reports and guidance raises was coming to a cyclical end. While we were aware that the company's profits would slide from their recent peak, the drop in valuation has been stunning.

At the time of this writing, WD shares traded for less than four times the earnings the company reported in the last 12 months through June 2018. By comparison, the Standard & Poor's 500 Index stocks traded at almost 20 times their earnings for the same period. The collapse in profitability implied by that comparison is massive, even if WD's stock is usually valued at some discount to the market at most points in the economic cycle. We believe the stock is significantly undervalued. It remains a holding in the

fund, although we recognize others may wait for earnings to bottom out and turn positive before returning.

Insurer MetLife also underperformed, despite benefiting from rising long-term interest rates. The company disclosed two material weaknesses (one of them unfavorable to prior reported earnings, the other favorable) in its accounting practices. The net effect was not large relative to shareholders' equity or ongoing earnings prospects. We continue to hold the stock, although its valuation was hurt as the company's internal controls were called into question.

Our successes

On the positive side, the timely purchase of grocery retailer Kroger in the face of rising competitive threats from Amazon, Walmart, and others made it the fund's top contributor. (The decision to avoid struggling industrial conglomerate General Electric was actually even more favorable in terms of performance relative to the Russell 3000 Value Index.)

Kroger benefited nicely from the reduction in corporate tax rates, allowing the company to appease several of its constituencies. It let some earnings flow through to shareholders, some to workers in the form of higher wages and benefits, and a third portion to customers through targeted price reductions. Along with an uptick in same-store sales growth, these decisions helped improve investor sentiment about future earnings prospects, and the valuation increased accordingly.

Bermuda-based insurer XL Group was among the fund's top contributors after the company agreed to a takeover approach from AXA, Europe's second-largest insurance provider. Athletic apparel-maker Under Armour also appreciated strongly as the company made progress toward streamlining its product offering, improving its operations, and gaining more control over its cost structure. In both cases, our team felt the shares had reached a fair value, and the fund sold its holdings.

Fund positioning and outlook

At the end of September, the fund's most significant overweightings relative to the Russell 3000 Value Index were in materials, real estate, energy, information technology, and industrials.

In industrials, we added holdings in Delta Air Lines and Southwest Airlines. Outsized capacity additions by competitor United Airlines spread worries of a market-share battle, particularly in some of Delta's markets. Southwest also took a hit to its earnings in the aftermath of a tragic engine failure that caused the death of a passenger. Price cuts to attract passengers back following that accident, along with some struggles in implementing a new reservation system, caused difficult temporary revenue comparisons.

Airline earnings can be volatile, and their stocks have traded at sizable discounts to the broad market even during good times. However, we believe that both Delta and Southwest are in good positions to

generate and distribute high free cash flow to shareholders because of their clean balance sheets and controlled capital-spending plans.

In energy, we initiated positions in Chevron and Concho Resources. We believe that Chevron has an attractive free-cash-flow yield and dividend, as well as less country risk than other major oil companies. In Texas, Permian Basin producers have temporarily outgrown the available capacity of pipelines to transport oil and gas to the market. But we believe Concho is well-positioned to outperform over the longer term, particularly after announcing its agreement to acquire RSP Permian in an all-stock transaction. We believe this will boost future free-cash-flow generation.

The economy is moving at a steady clip. However, we recognize the potential for negative surprises, especially as a result of trade frictions with China, the lagging effect of interest rate hikes, Brexit, and other factors. The net result of purchases and sales during the year has moderately reduced the fund's exposure—as measured by sector weights, market beta, financial leverage, and other metrics—to an unfavorable shift in expectations.

We will, as contrarian value investors, look to areas of the market characterized by investor unease and a wide range of potential outcomes as fertile fishing ponds for new ideas. We are focusing more intently today on companies with the potential to help themselves out of temporary difficulty rather than those needing a big boost from an accelerating economy. We appreciate the trust of the Capital Value Fund's shareholders and believe that your confidence will be justified by the performance of the fund's holdings over a full market cycle.

Respectfully,

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

Wellington Management Company LLP

October 10, 2018

Capital Value Fund

Fund Profile

As of September 30, 2018

Portfolio Characteristics

	Fund	Russell 3000 Value Index	DJ U.S. Total Market FA Index
Number of Stocks	88	2,113	3,825
Median Market Cap	\$27.4B	\$58.1B	\$73.9B
Price/Earnings Ratio	13.0x	16.3x	21.0x
Price/Book Ratio	1.8x	2.0x	3.1x
Return on Equity	10.6%	11.6%	14.9%
Earnings Growth Rate	14.0%	5.7%	8.5%
Dividend Yield	2.4%	2.3%	1.7%
Foreign Holdings	11.4%	0.0%	0.0%
Turnover Rate	47%	—	—
Ticker Symbol	VCVLX	—	—
Expense Ratio ¹	0.27%	—	—
30-Day SEC Yield	2.23%	—	—
Short-Term Reserves	0.7%	—	—

Sector Diversification (% of equity exposure)

	Fund
Consumer Discretionary	6.3%
Consumer Staples	7.5
Energy	12.4
Financials	19.4
Health Care	10.4
Industrials	9.4
Information Technology	11.2
Materials	7.2
Real Estate	7.8
Telecommunication Services	3.0
Utilities	5.4

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.

Volatility Measures

	Russell 3000 Value Index	DJ U.S. Total Market FA Index
R-Squared	0.90	0.81
Beta	1.21	1.17

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)

MetLife Inc.	Life & Health Insurance	3.2%
Citigroup Inc.	Diversified Banks	3.2
Verizon Communications Inc.	Integrated Telecommunication Services	3.0
Wells Fargo & Co.	Diversified Banks	2.6
Comcast Corp.	Cable & Satellite	2.4
PNC Financial Services Group Inc.	Regional Banks	2.1
Chevron Corp.	Integrated Oil & Gas	2.0
Celanese Corp.	Specialty Chemicals	1.9
Canadian Natural Resources Ltd.	Oil & Gas Exploration & Production	1.8
Host Hotels & Resorts Inc.	Hotel & Resort REITs	1.8
Top Ten		24.0%

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

Investment Focus

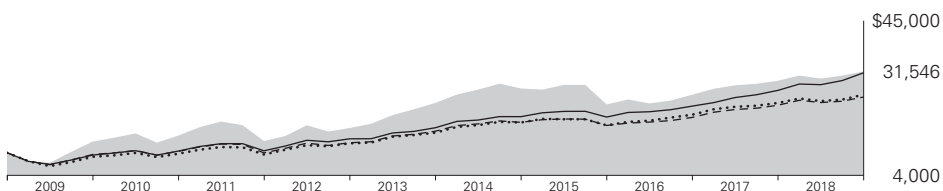
Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

¹ The expense ratio shown is from the prospectus dated January 26, 2018, and represents estimated costs for the current fiscal year. For the fiscal year ended September 30, 2018, the expense ratio was 0.29%.

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, 2008, Through September 30, 2018
Initial Investment of \$10,000

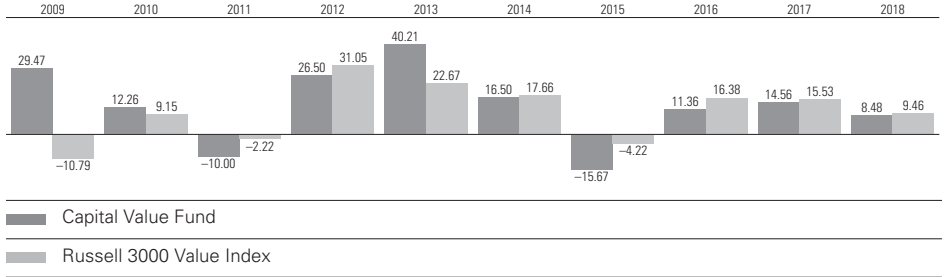


	Average Annual Total Returns Periods Ended September 30, 2018			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
Capital Value Fund	8.48%	6.34%	12.17%	\$31,546
Russell 3000 Value Index	9.46	10.65	9.76	25,383
Multi-Cap Value Funds Average	9.60	9.54	9.49	24,763
Dow Jones U.S. Total Stock Market Float Adjusted Index	17.58	13.42	12.05	31,191

Multi-Cap Value Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Capital Value Fund

Fiscal-Year Total Returns (%): September 30, 2008, Through September 30, 2018



Financial Statements

Statement of Net Assets

As of September 30, 2018

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

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (99.5%)			Financials (19.2%)		
Consumer Discretionary (6.2%)			MetLife Inc.	604,873	28,260
Comcast Corp. Class A	581,506	20,591	Citigroup Inc.	384,996	27,620
Newell Brands Inc.	531,523	10,790	Wells Fargo & Co.	435,316	22,880
* Skechers U.S.A. Inc.			PNC Financial Services Group Inc.	137,281	18,696
Class A	297,400	8,307	American International Group Inc.	285,302	15,189
General Motors Co.	239,329	8,058	RenaissanceRe Holdings Ltd.	105,968	14,155
Expedia Group Inc.	51,335	6,698	* Bank OZK	283,865	10,776
		54,444	Unum Group	250,585	9,790
Consumer Staples (7.5%)			CNO Financial Group Inc.	377,100	8,002
Walgreens Boots Alliance Inc.	195,511	14,253	Arthur J Gallagher & Co.	95,266	7,092
British American Tobacco plc	264,747	12,343	Lancashire Holdings Ltd.	675,641	5,352
Philip Morris International Inc.	141,729	11,556			167,812
Hormel Foods Corp.	188,600	7,431	Health Care (10.4%)		
Kroger Co.	242,559	7,061	* Mylan NV	386,418	14,143
Coty Inc. Class A	523,201	6,571	Bristol-Myers Squibb Co.	225,097	13,974
Archer-Daniels-Midland Co.	118,400	5,952	McKesson Corp.	96,363	12,783
		65,167	Allergan plc	53,956	10,277
Energy (12.3%)			* Biogen Inc.	29,035	10,258
Chevron Corp.	142,181	17,386	Koninklijke Philips NV	214,600	9,766
Canadian Natural Resources Ltd.	493,983	16,133	* Seattle Genetics Inc.	88,000	6,787
Cimarex Energy Co.	120,664	11,214	* Incyte Corp.	88,400	6,107
Halliburton Co.	270,022	10,944	AstraZeneca plc ADR	128,100	5,069
Anadarko Petroleum Corp.	144,543	9,744	* Five Prime Therapeutics Inc.	91,300	1,271
* Concho Resources Inc.	59,500	9,089			90,435
Marathon Oil Corp.	358,643	8,349	Industrials (9.3%)		
Tenaris SA ADR	223,500	7,492	Southwest Airlines Co.	200,200	12,502
Diamondback Energy Inc.	53,731	7,264	Steelcase Inc. Class A	640,343	11,846
Pioneer Natural Resources Co.	30,341	5,285	Herman Miller Inc.	269,015	10,330
* Laredo Petroleum Inc.	575,300	4,700	Delta Air Lines Inc.	170,000	9,831
		107,600	* Genesee & Wyoming Inc. Class A	99,404	9,045
			Sanwa Holdings Corp.	755,500	8,996

Capital Value Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Johnson Controls International plc	234,600	8,211	Telecommunication Services (3.0%)		
Fortune Brands Home & Security Inc.	156,400	8,189	Verizon Communications Inc.	489,200	26,118
* JELD-WEN Holding Inc.	98,199	2,422	Utilities (5.4%)		
		81,372	Exelon Corp.	282,211	12,321
Information Technology (11.2%)			Edison International	150,559	10,190
QUALCOMM Inc.	181,075	13,043	OGE Energy Corp.	253,065	9,191
Western Digital Corp.	205,369	12,022	Sempra Energy	68,085	7,745
KLA-Tencor Corp.	117,997	12,001	* Iberdrola SA	1,026,659	7,541
Broadcom Inc.	46,500	11,473			46,988
Genpact Ltd.	350,784	10,738	Total Common Stocks (Cost \$780,951)		
Amdocs Ltd.	136,200	8,987			868,529
Samsung Electronics Co. Ltd.	174,624	7,308	Temporary Cash Investments (1.8%)		
* Coherent Inc.	38,100	6,560	Money Market Fund (1.1%)		
Marvell Technology Group Ltd.	327,300	6,317	^{2,3} Vanguard Market Liquidity Fund, 2.209%		
*^ Acacia Communications Inc.	110,371	4,566		94,957	9,496
Teradyne Inc.	120,168	4,444		Face Amount (\$000)	
Silicon Motion Technology Corp. ADR	3,589	193	Repurchase Agreement (0.7%)		
		97,652	RBS Securities, Inc. 2.240%, 10/1/18 (Dated 9/28/18, Repurchase Value \$6,401,000, collateralized by U.S. Treasury Note/Bond 1.625%, 5/15/26, with a value of \$6,528,000)		
Materials (7.1%)				6,400	6,400
Celanese Corp. Class A	142,245	16,216	Total Temporary Cash Investments (Cost \$15,896)		
Reliance Steel & Aluminum Co.	184,286	15,718			15,896
^ Nutrien Ltd.	137,400	7,934	Total Investments (101.3%) (Cost \$796,847)		
CRH plc	229,083	7,497			884,425
* Alcoa Corp.	155,900	6,298			
Cabot Corp.	73,700	4,622			
Randgold Resources Ltd. ADR	56,100	3,958			
		62,243			
Other (0.2%)					
*.&.1 Allstar Co-Invest LLC Private Placement	NA	1,169			
Real Estate (7.7%)					
Host Hotels & Resorts Inc.	762,591	16,091			
STORE Capital Corp.	334,163	9,286			
Columbia Property Trust Inc.	380,883	9,004			
Brixmor Property Group Inc.	494,116	8,652			
Simon Property Group Inc.	45,238	7,996			
American Tower Corp.	46,259	6,722			
Acadia Realty Trust	187,700	5,261			
Taubman Centers Inc.	75,500	4,517			
		67,529			

Capital Value Fund

	Amount (\$000)
Other Assets and Liabilities (-1.3%)	
Other Assets	
Investment in Vanguard	45
Receivables for Investment Securities Sold	1,281
Receivables for Accrued Income	1,529
Receivables for Capital Shares Issued	212
Unrealized Appreciation—	
Forward Currency Contracts	150
Other Assets	184
Total Other Assets	3,401
Liabilities	
Payables for Investment Securities	
Purchased	(2,377)
Collateral for Securities on Loan	(9,495)
Payables to Investment Advisor	(142)
Payables for Capital Shares Redeemed	(703)
Payables to Vanguard	(1,602)
Unrealized Depreciation—	
Forward Currency Contracts	(13)
Total Liabilities	(14,332)
Net Assets (100%)	
Applicable to 63,336,437 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	873,494
Net Asset Value Per Share	\$13.79

At September 30, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	789,611
Undistributed Net Investment Income	11,929
Accumulated Net Realized Losses	(15,756)
Unrealized Appreciation (Depreciation)	
Investment Securities	87,578
Forward Currency Contracts	137
Foreign Currencies	(5)
Net Assets	873,494

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^A Includes partial security positions on loan to broker-dealers.
The total value of securities on loan is \$9,007,000.

[§] Security value determined using significant unobservable inputs.

¹ Restricted security represents 0.2% 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 Includes \$9,495,000 of collateral received for securities on loan.
ADR—American Depositary Receipt.

Capital Value Fund

Restricted Securities as of Period End

Security Name	Acquisition Date	Acquisition Cost (\$000)
Allstar Co-Invest LLC Private Placement	August 2011	1,677

Derivative Financial Instruments Outstanding as of Period End

Forward Currency Contracts

Counterparty	Contract Settlement Date		Contract Amount (000)			Unrealized Appreciation (Depreciation) (\$000)
			Receive	Deliver		
J.P. Morgan Securities LLC	12/19/18	USD	7,250	JPY	801,276	150
J.P. Morgan Securities LLC	12/19/18	USD	5,071	EUR	4,348	(13)
						137

EUR—Euro.

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, 2018
(\$000)

Investment Income	
Income	
Dividends ¹	20,095
Interest ²	113
Securities Lending—Net	488
Total Income	20,696
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	1,996
Performance Adjustment	(1,479)
The Vanguard Group—Note C	
Management and Administrative	1,840
Marketing and Distribution	112
Custodian Fees	29
Auditing Fees	34
Shareholders' Reports and Proxy	21
Trustees' Fees and Expenses	2
Total Expenses	2,555
Net Investment Income	18,141
Realized Net Gain (Loss)	
Investment Securities Sold ²	81,410
Forward Currency Contracts	592
Foreign Currencies	(67)
Realized Net Gain (Loss)	81,935
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ²	(26,951)
Forward Currency Contracts	(115)
Foreign Currencies	5
Change in Unrealized Appreciation (Depreciation)	(27,061)
Net Increase (Decrease) in Net Assets Resulting from Operations	73,015

1 Dividends are net of foreign withholding taxes of \$167,000.

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.

Statement of Changes in Net Assets

	Year Ended September 30,	
	2018 (\$000)	2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	18,141	18,261
Realized Net Gain (Loss)	81,935	69,458
Change in Unrealized Appreciation (Depreciation)	(27,061)	38,881
Net Increase (Decrease) in Net Assets Resulting from Operations	73,015	126,600
Distributions		
Net Investment Income	(17,678)	(15,817)
Realized Capital Gain	—	—
Total Distributions	(17,678)	(15,817)
Capital Share Transactions		
Issued	57,634	80,436
Issued in Lieu of Cash Distributions	16,300	14,657
Redeemed	(159,126)	(235,684)
Net Increase (Decrease) from Capital Share Transactions	(85,192)	(140,591)
Total Increase (Decrease)	(29,855)	(29,808)
Net Assets		
Beginning of Period	903,349	933,157
End of Period ¹	873,494	903,349

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$11,929,000 and \$11,533,000.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended September 30,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$12.96	\$11.50	\$11.45	\$15.32	\$14.57
Investment Operations					
Net Investment Income	.273 ¹	.241 ¹	.180	.129 ¹	.178 ²
Net Realized and Unrealized Gain (Loss) on Investments	.817	1.420	1.060	(2.330)	2.055
Total from Investment Operations	1.090	1.661	1.240	(2.201)	2.233
Distributions					
Dividends from Net Investment Income	(.260)	(.201)	(.144)	(.175)	(.111)
Distributions from Realized Capital Gains	—	—	(1.046)	(1.494)	(1.372)
Total Distributions	(.260)	(.201)	(1.190)	(1.669)	(1.483)
Net Asset Value, End of Period	\$13.79	\$12.96	\$11.50	\$11.45	\$15.32
Total Return³	8.48%	14.56%	11.36%	-15.67%	16.50%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$873	\$903	\$933	\$1,059	\$1,784
Ratio of Total Expenses to Average Net Assets ⁴	0.29%	0.27%	0.25%	0.50%	0.47%
Ratio of Net Investment Income to Average Net Assets	2.04%	1.97%	1.51%	0.93%	1.19% ²
Portfolio Turnover Rate	47%	41%	134%	90%	90%

1 Calculated based on average shares outstanding.

2 Net investment income per share and the ratio of net investment income to average net assets include \$0.18 and 0.12%, respectively, resulting from a special dividend from Vodafone Group plc in the form of cash and shares in Verizon Communications Inc. in February 2014.

3 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.

4 Includes performance-based investment advisory fee increases (decreases) of (0.17%), (0.19%), (0.20%), 0.06%, and 0.02%.

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, 2018, the fund's average investment in forward currency contracts represented 2% 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, 2015–2018), 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 \$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 September 30, 2018, or at any time during the period then ended.

9. Other: Dividend income is recorded on the ex-dividend date. Interest income 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, 2018, the investment advisory fee represented an effective annual basic rate of 0.23% of the fund's average net assets before a decrease of \$1,479,000 (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.

Capital Value Fund

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At September 30, 2018, the fund had contributed to Vanguard capital in the amount of \$45,000, representing 0.01% of the fund's net assets and 0.02% of Vanguard's capitalization. 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 as of September 30, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	818,323	49,037	1,169
Temporary Cash Investments	9,496	6,400	—
Forward Currency Contracts—Assets	—	150	—
Forward Currency Contracts—Liabilities	—	(13)	—
Total	827,819	55,574	1,169

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, the following permanent differences primarily attributable to the accounting for foreign currency transactions were reclassified to the following accounts:

	Amount (\$000)
Paid-in Capital	—
Undistributed (Overdistributed) Net Investment Income	(67)
Accumulated Net Realized Gains (Losses)	67

Capital Value Fund

Temporary differences between book-basis and tax-basis components of accumulated net earnings (losses) 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 forward currency contracts. As of period end, the tax-basis components of accumulated net earnings (losses) are detailed in the table as follows:

	Amount (\$000)
Undistributed Ordinary Income	13,648
Undistributed Long-term Gains	—
Capital Loss Carryforwards (Non-expiring)*	(15,830)
Net Unrealized Gains (Losses)	87,573

* The fund used capital loss carryforwards of \$81,887,000 to offset taxable capital gains realized during the year ended September 30, 2018, reducing the amount of capital gains that would otherwise be available to distribute to shareholders.

As of September 30, 2018, 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	796,847
Gross Unrealized Appreciation	123,037
Gross Unrealized Depreciation	(35,459)
Net Unrealized Appreciation (Depreciation)	87,578

F. During the year ended September 30, 2018, the fund purchased \$416,951,000 of investment securities and sold \$499,441,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Year Ended September 30,	
	2018 Shares (000)	2017 Shares (000)
Issued	4,316	6,622
Issued in Lieu of Cash Distributions	1,227	1,209
Redeemed	(11,915)	(19,274)
Net Increase (Decrease) in Shares Outstanding	(6,372)	(11,443)

H. Management has determined that no events or transactions occurred subsequent to September 30, 2018, 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, 2018, the related statement of operations for the year ended September 30, 2018, the statement of changes in net assets for each of the two years in the period ended September 30, 2018, including the related notes, and the financial highlights for each of the five years in the period ended September 30, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended September 30, 2018 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, 2018 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 15, 2018

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

Special 2018 tax information (unaudited) for Vanguard Capital Value Fund

This information for the fiscal year ended September 30, 2018, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$17,678,000 of qualified dividend income to shareholders during the fiscal year.

For corporate shareholders, 85.3% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

Your Fund's After-Tax Returns

This table presents returns for your fund both before and after taxes. The after-tax returns are shown in two ways: (1) assuming that an investor owned the fund during the entire period and paid taxes on the fund's distributions, and (2) assuming that an investor paid taxes on the fund's distributions *and* sold all shares at the end of each period.

Calculations are based on the highest individual federal income tax and capital gains tax rates in effect at the times of the distributions and the hypothetical sales. State and local taxes were not considered. After-tax returns reflect any qualified dividend income, using actual prior-year figures and estimates for 2018. (In the example, returns after the sale of fund shares may be higher than those assuming no sale. This occurs when the sale would have produced a capital loss. The calculation assumes that the investor received a tax deduction for the loss.)

Please note that your actual after-tax returns will depend on your tax situation and may differ from those shown. Also note that if you own the fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to you. Such accounts are not subject to current taxes.

Finally, keep in mind that a fund's performance—whether before or after taxes—does not guarantee future results.

Average Annual Total Returns: Capital Value Fund

Periods Ended September 30, 2018

	One Year	Five Years	Ten Years
Returns Before Taxes	8.48%	6.34%	12.17%
Returns After Taxes on Distributions	7.99	3.94	10.78
Returns After Taxes on Distributions and Sale of Fund Shares	5.35	4.06	9.65

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, 2018

Capital Value Fund	Beginning Account Value 3/31/2018	Ending Account Value 9/30/2018	Expenses Paid During Period
Based on Actual Fund Return	\$1,000.00	\$1,064.04	\$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).

Glossary

30-Day SEC Yield. A fund's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the fund's security holdings in the previous 30 days are used to calculate the fund's hypothetical net income for that period, which is then annualized and divided by the fund's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the fund's actual experience. As a result, the fund's income distributions may be higher or lower than implied by the SEC yield.

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.

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

Equity Exposure. A measure that reflects a fund's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

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 depository 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.

The Global Industry Classification Standard (“GICS”) was developed by and is the exclusive property and a service mark of MSCI Inc. (“MSCI”) and Standard and Poor’s, a division of McGraw-Hill Companies, Inc. (“S&P”), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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 211 Vanguard funds.

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

Interested Trustees¹

F. William McNabb III

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

Mortimer J. Buckley

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

Independent Trustees

Emerson U. Fullwood

Born in 1948. Trustee since January 2008. Principal occupation(s) during the past five years and other experience: executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. Executive in residence and 2009–2010 Distinguished Minnett Professor at the Rochester Institute of Technology. Lead director of SPX FLOW, Inc. (multi-industry manufacturing). Director of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) of the University of Pennsylvania. Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and professor of communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania. Trustee of the National Constitution Center.

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

JoAnn Heffernan Heisen

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

F. Joseph Loughrey

Born in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Chairman of the board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education. Director of the V Foundation for Cancer Research. Member of the advisory council for the College of Arts and Letters and chair of the advisory board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born in 1953. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: senior vice president and chief financial officer (retired 2013) of IBM (information technology services). Fiduciary member of IBM’s Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 1952. Trustee since December 2004. Principal occupation(s) during the past five years and other experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Chief investment officer and co-managing partner of HighVista Strategies LLC (private investment firm). Overseer of the Museum of Fine Arts Boston.

Sarah Bloom Raskin

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

Peter F. Volanakis

Born in 1955. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). Chairman of the board of trustees of Colby-Sawyer College. Member of the Board of Hypertherm Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem

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

Christine M. Buchanan

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

Brian Dvorak

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

Thomas J. Higgins

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

Peter Mahoney

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

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

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

Vanguard Senior Management Team

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

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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