

Semiannual Report | July 31, 2023

Vanguard Health Care Fund

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About Your Fund’s Expenses

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

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

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

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

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

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

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

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

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

Six Months Ended July 31, 2023

	Beginning Account Value 1/31/2023	Ending Account Value 7/31/2023	Expenses Paid During Period
Based on Actual Fund Return			
Health Care Fund			
Investor Shares	\$1,000.00	\$1,038.30	\$1.82
Admiral™ Shares	1,000.00	1,038.50	1.57
Based on Hypothetical 5% Yearly Return			
Health Care Fund			
Investor Shares	\$1,000.00	\$1,023.01	\$1.81
Admiral Shares	1,000.00	1,023.26	1.56

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.36% for Investor Shares and 0.31% for Admiral Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (181/365).

Health Care Fund

Fund Allocation

As of July 31, 2023

United States	70.8%
Japan	8.9
United Kingdom	7.4
Switzerland	5.9
Belgium	3.6
Denmark	2.4
Other	1.0

The table reflects the fund's investments, except for short-term investments.

Financial Statements (unaudited)

Schedule of Investments

As of July 31, 2023

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)		Shares	Market Value* (\$000)
Common Stocks (97.8%)					
Belgium (3.5%)			Asahi Intecc Co. Ltd.	2,023,500	41,525
¹ UCB SA	10,923,125	967,213	Nippon Shinyaku Co. Ltd.	951,400	38,474
* Argenx SE	1,304,652	657,074			4,151,958
* Galapagos NV	1,175,458	49,398	Switzerland (5.8%)		
		1,673,685	Novartis AG (Registered)	22,583,277	2,364,406
Brazil (0.0%)			Alcon Inc.	3,393,208	288,734
* ² Hapvida Participacoes e Investimentos SA	8,909,471	9,044	Tecan Group AG (Registered)	236,453	94,092
					2,747,232
China (1.0%)			United Kingdom (7.2%)		
² WuXi AppTec Co. Ltd. Class H	11,971,416	113,877	AstraZeneca plc	19,784,351	2,842,541
* Legend Biotech Corp. ADR	1,169,204	88,298	GSK plc	11,995,095	2,133,527
* ² WuXi Biologics Cayman Inc.	10,465,200	60,393	* Abcam plc ADR	7,161,997	167,877
* Zai Lab Ltd.	16,916,600	51,731	* ³ Immunocore Holdings plc ADR	2,085,568	137,606
Shenzhen Mindray Bio-Medical Electronics Co. Ltd. Class A (XSHE)	965,017	40,049	Genus plc	1,791,160	56,657
* Zai Lab Ltd. ADR	1,085,794	32,639	* ³ Verona Pharma plc ADR	1,160,032	25,625
Shandong Weigao Group Medical Polymer Co. Ltd. Class H	24,872,000	32,121			3,443,833
* ² Remegen Co. Ltd. Class H	4,397,500	25,096	United States (69.2%)		
		444,204	UnitedHealth Group Inc.	6,201,994	3,140,504
Denmark (2.3%)			Eli Lilly & Co.	6,476,386	2,943,841
* Genmab A/S	2,088,852	861,024	Merck & Co. Inc.	20,479,587	2,184,148
* Ascendis Pharma A/S ADR	1,636,751	147,553	Pfizer Inc.	58,865,924	2,122,705
* ³ Genmab A/S ADR	2,285,855	94,543	Danaher Corp.	5,113,563	1,304,265
		1,103,120	Abbott Laboratories	11,672,803	1,299,533
Italy (0.1%)			* Biogen Inc.	4,558,453	1,231,648
DiaSorin SpA	552,359	61,970	Elevance Health Inc.	2,560,815	1,207,757
Japan (8.7%)			Thermo Fisher Scientific Inc.	2,108,134	1,156,649
Daiichi Sankyo Co. Ltd.	43,976,590	1,354,462	Humana Inc.	2,265,222	1,034,821
¹ Eisai Co. Ltd.	19,123,817	1,206,590	Stryker Corp.	3,590,051	1,017,456
Chugai Pharmaceutical Co. Ltd.	30,174,900	898,043	* Boston Scientific Corp.	19,412,122	1,006,519
Terumo Corp.	6,976,400	228,471	* Vertex Pharmaceuticals Inc.	2,827,342	996,186
Ono Pharmaceutical Co. Ltd.	10,972,490	201,075	* Alnylam Pharmaceuticals Inc.	4,718,518	921,998
Otsuka Holdings Co. Ltd.	4,985,900	183,318	* Regeneron Pharmaceuticals Inc.	1,218,831	904,263
			Zoetis Inc.	4,530,082	852,063
			* Edwards Lifesciences Corp.	9,386,095	770,317
			HCA Healthcare Inc.	2,796,119	762,809
			* Centene Corp.	8,903,692	606,252
			* Moderna Inc.	4,452,688	523,903
			Agilent Technologies Inc.	3,576,445	435,504

Health Care Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* IQVIA Holdings Inc.	1,797,052	402,108	*.3 MoonLake		
* Insulet Corp.	1,325,762	366,905	Immunotherapeutics		
* agilon health Inc.	19,042,628	364,666	Class A	213,700	12,995
* Illumina Inc.	1,744,376	335,182			32,994,479
* Align Technology Inc.	850,299	321,320			
Laboratory Corp. of			Total Common Stocks		
America Holdings	1,485,818	317,861	(Cost \$28,366,720)		46,629,525
Teleflex Inc.	1,217,493	305,798	Temporary Cash Investments (1.8%)		
* Exact Sciences Corp.	2,807,222	273,817			
* Sarepta Therapeutics			Money Market Fund (0.2%)		
Inc.	2,283,656	247,526	*.5 Vanguard Market		
* Acadia Healthcare Co.			Liquidity Fund,		
Inc.	3,047,446	240,840	5.274%	840,358	84,019
* Waters Corp.	811,122	224,040			
* Molina Healthcare Inc.	729,664	222,175		Face	
* United Therapeutics				Amount	
Corp.	842,593	204,514		(\$000)	
* Blueprint Medicines			Repurchase Agreements (1.6%)		
Corp.	2,379,137	157,023	Bank of America		
* Karuna Therapeutics			Securities LLC,		
Inc.	765,799	152,984	5.300%, 8/1/23		
*.1 Apellis Pharmaceuticals			(Dated 7/31/23,		
Inc.	5,894,862	151,793	Repurchase Value		
* Denali Therapeutics Inc.	5,100,454	145,006	\$65,010,000,		
*.1 Agios Pharmaceuticals			collateralized by		
Inc.	5,148,413	136,536	U.S. Treasury		
* Alkermes plc	4,619,968	135,273	Note/Bond 2.875%,		
* Encompass Health			11/30/23, with a value		
Corp.	1,753,507	115,784	of \$66,300,000)	65,000	65,000
* Roivant Sciences Ltd.	9,572,139	114,674	Bank of Nova Scotia,		
* Vaxcyte Inc.	2,365,953	113,708	5.270%, 8/1/23		
* Cytokinetics Inc.	3,334,530	111,207	(Dated 7/31/23,		
*.1 Sage Therapeutics Inc.	3,010,218	104,394	Repurchase Value		
* REVOLUTION			\$50,007,000,		
Medicines Inc.	3,968,987	104,186	collateralized by		
* Evolent Health Inc.			U.S. Treasury		
Class A	3,188,219	96,890	Note/Bond		
* Prothena Corp. plc	1,293,898	89,111	1.125%–4.000%,		
* Mirati Therapeutics Inc.	2,560,960	77,520	6/15/25–5/15/53, with		
* Seagen Inc.	375,338	71,982	a value of		
* Syndax			\$51,007,000)	50,000	50,000
Pharmaceuticals Inc.	3,092,082	65,923	Barclays Capital Inc.,		
* Intellia Therapeutics Inc.	1,534,651	64,962	5.300%, 8/1/23		
* TG Therapeutics Inc.	3,066,304	63,442	(Dated 7/31/23,		
* Option Care Health Inc.	1,777,073	60,030	Repurchase Value		
* Surgery Partners Inc.	1,504,178	58,106	\$31,505,000,		
* Privia Health Group Inc.	2,035,900	56,842	collateralized by		
* Shockwave Medical			U.S. Treasury		
Inc.	214,553	55,913	Note/Bond 2.875%,		
* Amicus Therapeutics			5/15/32, with a value		
Inc.	4,067,651	55,401	of \$32,130,000)	31,500	31,500
* Ultragenyx			BNP Paribas Securities		
Pharmaceutical Inc.	1,245,879	53,722	Corp., 5.260%,		
* PTC Therapeutics Inc.	1,235,744	49,850	8/1/23		
* Celldex Therapeutics			(Dated 7/31/23,		
Inc.	1,384,641	48,961	Repurchase Value		
* Rocket Pharmaceuticals			\$80,012,000,		
Inc.	2,571,100	46,408	collateralized by		
* ImmunoGen Inc.	2,495,000	44,461	U.S. Treasury Bill		
* Morphic Holding Inc.	616,879	34,996	0.000%,		
* Kymera Therapeutics			8/22/23–2/22/24,		
Inc.	1,442,019	31,551	U.S. Treasury Inflation		
* Ionis Pharmaceuticals			Indexed Note/Bond		
Inc.	591,458	24,504	5.510%, 4/30/25, and		
* Xenon Pharmaceuticals			U.S. Treasury		
Inc.	620,627	22,914	Note/Bond		
* 2seventy bio Inc.	2,046,666	15,534	0.500%–5.375%,		
			11/30/23–8/15/47,		
			with a value of		
			\$81,600,000)	80,000	80,000

Health Care Fund

	Face Amount (\$000)	Market Value* (\$000)		Face Amount (\$000)	Market Value* (\$000)
BNP Paribas Securities Corp., 5.300%, 8/1/23 (Dated 7/31/23, Repurchase Value \$87,213,000, collateralized by Fannie Mae 2.500%–6.500%, 12/1/30–7/1/53, Federal Home Loan Bank 2.800%, 7/11/39, Freddie Mac 2.000%–7.042%, 5/1/35–7/1/53, Ginnie Mae 2.500%–6.000%, 8/15/31–11/20/52, U.S. Treasury Bill 0.000%, 10/3/23–1/18/24, and U.S. Treasury Note/Bond 0.125%–6.250%, 8/15/23–11/15/51, with a value of \$88,944,000)	87,200	87,200	JP Morgan Securities LLC, 5.290%, 8/1/23 (Dated 7/31/23, Repurchase Value \$63,009,000, collateralized by U.S. Treasury Note/Bond 2.250%–2.500%, 8/15/23–11/15/24, with a value of \$64,260,000)	63,000	63,000
Credit Agricole Securities, 5.280%, 8/1/23 (Dated 7/31/23, Repurchase Value \$59,109,000, collateralized by U.S. Treasury Note/Bond 4.125%, 11/15/32, with a value of \$60,282,000)	59,100	59,100	Natixis SA, 5.280%, 8/1/23 (Dated 7/31/23, Repurchase Value \$81,812,000, collateralized by Federal Home Loan Bank 2.840%–3.000%, 2/24/37–1/27/42, U.S. Treasury Inflation Indexed Note/Bond 0.125%–1.375%, 4/15/25–2/15/50, and U.S. Treasury Note/Bond 1.125%–6.000%, 2/15/26–11/15/51, with a value of \$83,436,000)	81,800	81,800
HSBC Bank USA, 5.270%, 8/1/23 (Dated 7/31/23, Repurchase Value \$43,806,000, collateralized by U.S. Treasury Inflation Indexed Note/Bond 0.125%, 1/15/32, with a value of \$44,676,000)	43,800	43,800	Nomura International plc, 5.280%, 8/1/23 (Dated 7/31/23, Repurchase Value \$102,815,000, collateralized by U.S. Treasury Note/Bond 0.375%–4.000%, 5/31/24–5/15/42, with a value of \$104,856,000)	102,800	102,800
HSBC Bank USA, 5.300%, 8/1/23 (Dated 7/31/23, Repurchase Value \$67,210,000, collateralized by Fannie Mae 2.00%–6.000%, 4/1/34–5/1/53, and Freddie Mac 2.500%, 4/1/37, with a value of \$68,544,000)	67,200	67,200			

Health Care Fund

	Face Amount (\$000)	Market Value* (\$000)
RBC Capital Markets LLC, 5.300%, 8/1/23 (Dated 7/31/23, Repurchase Value \$62,509,000, collateralized by Fannie Mae 3.500%, 2/1/43, U.S. Treasury Inflation Indexed Note/Bond 5.376%, 10/31/23, and U.S. Treasury Note/Bond 2.875%, 5/15/28, with a value of \$63,750,000)	62,500	62,500
		793,900
Total Temporary Cash Investments (Cost \$877,921)		877,919
Total Investments (99.6%) (Cost \$29,244,641)		47,507,444
Other Assets and Liabilities—Net (0.4%)		183,995
Net Assets (100%)		47,691,439

Cost is in \$000.

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

- 1 Considered an affiliated company of the fund as the fund owns more than 5% of the outstanding voting securities of such company.
- 2 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At July 31, 2023, the aggregate value was \$208,410,000, representing 0.4% of net assets.
- 3 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$79,328,000.
- 4 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
- 5 Collateral of \$83,932,000 was received for securities on loan.
ADR—American Depositary Receipt.

Statement of Assets and Liabilities

As of July 31, 2023

(\$000s, except shares, footnotes, and per-share amounts) Amount

Assets	
Investments in Securities, at Value ¹	
Unaffiliated Issuers (Cost \$27,089,087)	44,856,899
Affiliated Issuers (Cost \$2,155,554)	2,650,545
Total Investments in Securities	47,507,444
Investment in Vanguard	1,626
Cash	3,113
Foreign Currency, at Value (Cost \$1,482)	890
Receivables for Investment Securities Sold	263,716
Receivables for Accrued Income	89,545
Receivables for Capital Shares Issued	4,033
Total Assets	47,870,367
Liabilities	
Payables for Investment Securities Purchased	52,142
Collateral for Securities on Loan	83,932
Payables to Investment Advisor	19,079
Payables for Capital Shares Redeemed	20,574
Payables to Vanguard	3,201
Total Liabilities	178,928
Net Assets	47,691,439

¹ Includes \$79,328,000 of securities on loan.

At July 31, 2023, net assets consisted of:

Paid-in Capital	28,056,172
Total Distributable Earnings (Loss)	19,635,267
Net Assets	47,691,439

Investor Shares—Net Assets

Applicable to 34,593,638 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	7,388,372
Net Asset Value Per Share—Investor Shares	\$213.58

Admiral Shares—Net Assets

Applicable to 447,478,278 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	40,303,067
Net Asset Value Per Share—Admiral Shares	\$90.07

Statement of Operations

Six Months Ended
July 31, 2023

(\$000)

Investment Income	
Income	
Dividends—Unaffiliated Issuers ¹	292,072
Dividends—Affiliated Issuers ²	21,791
Interest—Unaffiliated Issuers	18,229
Securities Lending—Net	43
Total Income	332,135
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	34,092
Performance Adjustment	4,554
The Vanguard Group—Note C	
Management and Administrative—Investor Shares	6,649
Management and Administrative—Admiral Shares	26,700
Marketing and Distribution—Investor Shares	202
Marketing and Distribution—Admiral Shares	663
Custodian Fees	335
Shareholders' Reports—Investor Shares	81
Shareholders' Reports—Admiral Shares	75
Trustees' Fees and Expenses	13
Other Expenses	7
Total Expenses	73,371
Expenses Paid Indirectly	(56)
Net Expenses	73,315
Net Investment Income	258,820
Realized Net Gain (Loss)	
Investment Securities Sold—Unaffiliated Issuers	1,211,616
Investment Securities Sold—Affiliated Issuers	714
Foreign Currencies	797
Realized Net Gain (Loss)	1,213,127
Change in Unrealized Appreciation (Depreciation)	
Investment Securities—Unaffiliated Issuers	416,445
Investment Securities—Affiliated Issuers	(111,309)
Foreign Currencies	2,390
Change in Unrealized Appreciation (Depreciation)	307,526
Net Increase (Decrease) in Net Assets Resulting from Operations	1,779,473

1 Dividends are net of foreign withholding taxes of \$11,428,000.

2 Dividends are net of foreign withholding taxes of \$5,985,000.

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

Statement of Changes in Net Assets

	Six Months Ended July 31, 2023	Year Ended January 31, 2023
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	258,820	391,728
Realized Net Gain (Loss)	1,213,127	2,054,086
Change in Unrealized Appreciation (Depreciation)	307,526	549,022
Net Increase (Decrease) in Net Assets Resulting from Operations	1,779,473	2,994,836
Distributions		
Investor Shares	(235,271)	(407,436)
Admiral Shares	(1,260,883)	(2,190,665)
Total Distributions	(1,496,154)	(2,598,101)
Capital Share Transactions		
Investor Shares	(152,694)	(56,992)
Admiral Shares	83,389	(289,544)
Net Increase (Decrease) from Capital Share Transactions	(69,305)	(346,536)
Total Increase (Decrease)	214,014	50,199
Net Assets		
Beginning of Period	47,477,425	47,427,226
End of Period	47,691,439	47,477,425

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

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2023	Year Ended January 31,				
	2023	2022	2021	2020	2019	
Net Asset Value, Beginning of Period	\$212.59	\$210.54	\$218.60	\$204.57	\$203.34	\$215.96
Investment Operations						
Net Investment Income ¹	1.112	1.654	1.869	2.005	2.506	2.375
Net Realized and Unrealized Gain (Loss) on Investments	6.611	11.988	8.949	29.203	23.326	2.489
Total from Investment Operations	7.723	13.642	10.818	31.208	25.832	4.864
Distributions						
Dividends from Net Investment Income	(.078)	(1.659)	(1.951)	(1.886)	(2.428)	(2.323)
Distributions from Realized Capital Gains	(6.655)	(9.933)	(16.927)	(15.292)	(22.174)	(15.161)
Total Distributions	(6.733)	(11.592)	(18.878)	(17.178)	(24.602)	(17.484)
Net Asset Value, End of Period	\$213.58	\$212.59	\$210.54	\$218.60	\$204.57	\$203.34
Total Return²	3.83%	6.57%	4.48%	16.16%	13.16%	2.76%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$7,388	\$7,496	\$7,493	\$8,342	\$8,729	\$8,850
Ratio of Total Expenses to Average Net Assets ³	0.36% ⁴	0.34% ⁴	0.30%	0.32%	0.32%	0.34%
Ratio of Net Investment Income to Average Net Assets	1.06%	0.80%	0.82%	0.95%	1.25%	1.12%
Portfolio Turnover Rate	9%	19%	15%	18%	18%	16%

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

1 Calculated based on average shares outstanding.

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

3 Includes performance-based investment advisory fee increases (decreases) of 0.02%, 0.00%, (0.04%), (0.01%), (0.02%), and 0.00%.

4 The ratio of expenses to average net assets for the period net of reduction from custody fee offset and broker commission abatement arrangements was 0.36% and 0.34%, respectively.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2023	Year Ended January 31,				
	2023	2022	2021	2020	2019	
Net Asset Value, Beginning of Period	\$89.64	\$88.77	\$92.17	\$86.27	\$85.75	\$91.08
Investment Operations						
Net Investment Income ¹	.489	.750	.830	.883	1.097	1.036
Net Realized and Unrealized Gain (Loss) on Investments	2.791	5.052	3.780	12.316	9.844	1.057
Total from Investment Operations	3.280	5.802	4.610	13.199	10.941	2.093
Distributions						
Dividends from Net Investment Income	(.044)	(.743)	(.870)	(.849)	(1.068)	(1.027)
Distributions from Realized Capital Gains	(2.806)	(4.189)	(7.140)	(6.450)	(9.353)	(6.396)
Total Distributions	(2.850)	(4.932)	(8.010)	(7.299)	(10.421)	(7.423)
Net Asset Value, End of Period	\$90.07	\$89.64	\$88.77	\$92.17	\$86.27	\$85.75
Total Return²	3.85%	6.63%	4.53%	16.21%	13.22%	2.81%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$40,303	\$39,981	\$39,934	\$40,769	\$38,126	\$37,888
Ratio of Total Expenses to Average Net Assets ³	0.31% ⁴	0.29% ⁴	0.25%	0.27%	0.27%	0.28%
Ratio of Net Investment Income to Average Net Assets	1.11%	0.86%	0.86%	0.99%	1.30%	1.18%
Portfolio Turnover Rate	9%	19%	15%	18%	18%	16%

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

1 Calculated based on average shares outstanding.

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

3 Includes performance-based investment advisory fee increases (decreases) of 0.02%, 0.00%, (0.04%), (0.01%), (0.02%), and 0.00%.

4 The ratio of expenses to average net assets for the period net of reduction from custody fee offset and broker commission abatement arrangements was 0.31% and 0.29%, respectively.

Notes to Financial Statements

Vanguard Health Care Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund offers two classes of shares: Investor Shares and Admiral Shares. Each of the share classes has different eligibility and minimum purchase requirements, and is designed for different types of investors.

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 by methods deemed by the valuation designee to represent fair value and subject to oversight 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. **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.

4. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute virtually all of its taxable income. The fund's tax returns are open to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. Management has analyzed the fund's tax positions taken for all open federal and state income tax years, and has concluded that no provision for income tax is required in the fund's financial statements.

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

6. **Securities Lending:** To earn additional income, the fund lends its securities to qualified institutional borrowers. Security loans are subject to termination by the fund at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The fund further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the fund may experience delays and costs in recovering the securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Collateral investments in Vanguard Market Liquidity Fund are subject to market appreciation or depreciation. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the fund is entitled to all distributions made on or in respect of the loaned securities.

7. **Credit Facilities and Interfund Lending Program:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement and an uncommitted credit facility provided by Vanguard. Both facilities may be renewed annually. Each fund is individually liable for its borrowings, if any, under the credit facilities. Borrowings may be utilized for temporary or emergency purposes and are subject to the fund's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed amount of the facility, which are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under either facility bear interest at an agreed-upon spread plus the higher of the federal funds effective rate, the overnight bank funding rate, or the Daily Simple Secured Overnight Financing Rate inclusive of an additional agreed-upon spread. However, borrowings under the uncommitted credit facility may bear interest based upon an alternate rate agreed to by the fund and Vanguard.

In accordance with an exemptive order (the "Order") from the SEC, the fund may participate in a joint lending and borrowing program that allows registered open-end Vanguard funds to borrow

money from and lend money to each other for temporary or emergency purposes (the “Interfund Lending Program”), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the fund’s investment objective and investment policies. Interfund loans and borrowings normally extend overnight but can have a maximum duration of seven days. Loans may be called on one business day’s notice. The interest rate to be charged is governed by the conditions of the Order and internal procedures adopted by the board of trustees. The board of trustees is responsible for overseeing the Interfund Lending Program.

For the six months ended July 31, 2023, the fund did not utilize the credit facilities or the Interfund Lending Program.

8. Other: Dividend income is recorded on the ex-dividend date. Non-cash dividends included in income, if any, are recorded at the fair value of the securities received. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

Taxes on foreign dividends and capital gains have been provided for in accordance with the fund’s understanding of the applicable countries’ tax rules and rates. Deferred foreign capital gains tax, if any, is accrued daily based upon net unrealized gains. The fund has filed tax reclaims for previously withheld taxes on dividends earned in certain European Union countries. These filings are subject to various administrative and judicial proceedings within these countries. Amounts related to these reclaims are recorded when there are no significant uncertainties as to the ultimate resolution of proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment. Such tax reclaims and related professional fees, if any, are included in dividend income and other expenses, respectively.

Each class of shares has equal rights as to assets and earnings, except that each class separately bears certain class-specific expenses related to maintenance of shareholder accounts (included in Management and Administrative expenses) and shareholder reporting. Marketing and distribution expenses are allocated to each class of shares based on a method approved by the board of trustees. Income, other non-class-specific expenses, and gains and losses on investments are allocated to each class of shares based on its relative net assets.

B. 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 MSCI All Country World Health Care Index for the preceding three years. For the six months ended July 31, 2023, the investment advisory fee represented an effective annual basic rate of 0.15% of the fund’s average net assets, before a net increase of \$4,554,000 (0.02%) 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 and are generally settled twice a month.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At July 31, 2023, the fund had contributed to Vanguard capital in the amount of \$1,626,000, representing less than 0.01% of the fund's net assets and 0.65% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

D. The fund has asked its investment advisor to direct certain security trades, subject to obtaining the best price and execution, to brokers who have agreed to rebate to the fund part of the commissions generated. Such rebates are used solely to reduce the fund's management and administrative expenses. The fund's custodian bank has also agreed to reduce its fees when the fund maintains cash on deposit in the non-interest-bearing custody account. For the six months ended July 31, 2023, these arrangements reduced the fund's management and administrative expenses by \$45,000 and custodian fees by \$11,000. The total expense reduction represented an effective annual rate of less than 0.01% of the fund's average net assets.

E. 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 Schedule of Investments.

The following table summarizes the market value of the fund's investments as of July 31, 2023, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
Investments				
Assets				
Common Stocks—North and South America	33,003,523	—	—	33,003,523
Common Stocks—Other	694,141	12,931,861	—	13,626,002
Temporary Cash Investments	84,019	793,900	—	877,919
Total	33,781,683	13,725,761	—	47,507,444

F. As of July 31, 2023, gross unrealized appreciation and depreciation for investments based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	29,346,141
Gross Unrealized Appreciation	19,851,123
Gross Unrealized Depreciation	(1,689,820)
Net Unrealized Appreciation (Depreciation)	18,161,303

G. During the six months ended July 31, 2023, the fund purchased \$4,044,148,000 of investment securities and sold \$5,604,916,000 of investment securities, other than temporary cash investments.

The fund purchased securities from and sold securities to other funds or accounts managed by its investment advisor or their affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended July 31, 2023, such purchases were \$1,676,000 and sales were \$0; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

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

	Six Months Ended July 31, 2023		Year Ended January 31, 2023	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	177,276	842	421,032	2,016
Issued in Lieu of Cash Distributions	222,306	1,104	383,037	1,809
Redeemed	(552,276)	(2,611)	(861,061)	(4,158)
Net Increase (Decrease)—Investor Shares	(152,694)	(665)	(56,992)	(333)
Admiral Shares				
Issued	490,918	5,487	917,744	10,465
Issued in Lieu of Cash Distributions	1,110,366	13,082	1,929,691	21,616
Redeemed	(1,517,895)	(17,100)	(3,136,979)	(35,909)
Net Increase (Decrease)—Admiral Shares	83,389	1,469	(289,544)	(3,828)

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

	Jan. 31, 2023 Market Value (\$000)	Current Period Transactions						Jul. 31, 2023 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
2seventy bio Inc.	27,835	—	—	—	(12,301)	—	—	NA ¹
Agios Pharmaceuticals Inc.	151,775	—	—	—	(15,239)	—	—	136,536
Apellis Pharmaceuticals Inc.	NA ²	147,250	23,539	6,741	(148,603)	—	—	151,793
Eisai Co. Ltd.	1,152,216	47,189	23,329	310	30,204	10,564	—	1,206,590
Ironwood Pharmaceuticals Inc. Class A	125,592	—	113,327	(6,333)	(5,932)	—	—	—
Sage Therapeutics Inc.	NA ²	71,840	—	—	(29,809)	—	—	104,394
UCB SA	896,839	—	—	—	70,374	11,227	—	967,213
Vanguard Market Liquidity Fund	669	NA ³	NA ³	(4)	(3)	—	—	84,019
Total	2,354,926	266,279	160,195	714	(111,309)	21,791	—	2,650,545

1 Not applicable—at July 31, 2023, the security was still held, but the issuer was no longer an affiliated company of the fund.

2 Not applicable—at January 31, 2023, the issuer was not an affiliated company of the fund.

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

J. Significant market disruptions, such as those caused by pandemics (e.g., COVID-19 pandemic), natural or environmental disasters, war (e.g., Russia's invasion of Ukraine), acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the fund's investments and fund performance.

To the extent the fund's investment portfolio reflects concentration in a particular market, industry, sector, country or asset class, the fund may be adversely affected by the performance of these concentrations and may be subject to increased price volatility and other risks.

K. Management has determined that no events or transactions occurred subsequent to July 31, 2023, that would require recognition or disclosure in these financial statements.

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Health Care Fund has renewed the fund's investment advisory arrangement with Wellington Management Company LLP (Wellington Management). The board determined that renewing the fund's advisory arrangement was in the best interests of the fund and its shareholders.

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

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

In addition, the board received periodic reports throughout the year, which included information about the fund's performance relative to its peers and benchmark, as applicable, and updates, as needed, on the Portfolio Review Department's ongoing assessment of the advisor.

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

Nature, extent, and quality of services

The board reviewed the quality of the fund's investment management services over both the short and long term and took into account the organizational depth and stability of the advisor. The board considered that Wellington Management, founded in 1928, is among the nation's oldest and most respected institutional investment managers. The portfolio manager is aided by a team of experienced Global Industry Analysts who cover health care industries. This health care team uses intensive fundamental analysis and deep knowledge of health care science and technology to identify companies with high-quality balance sheets, strong management, and the potential for new products that will lead to above-average growth in revenue and earnings. The advisor invests in stocks broadly representing the health care industry, seeking to maintain exposure across five primary subsectors: large-cap biotech/pharmaceuticals, mid-cap biotech/pharmaceuticals, small-cap biotech/pharmaceuticals, health care services, and medical technology. Wellington Management has advised the fund since its inception in 1984.

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

Investment performance

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

Cost

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

The board did not consider the profitability of Wellington Management in determining whether to approve the advisory fee because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the fund's shareholders benefit from economies of scale because of breakpoints in the fund's advisory fee schedule for Wellington Management. The breakpoints reduce the effective rate of the fee as the fund's assets increase.

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

Liquidity Risk Management

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

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

The board of trustees of Vanguard Specialized Funds approved the appointment of liquidity risk management program administrators responsible for administering Vanguard Health Care Fund’s Program and for carrying out the specific responsibilities set forth in the Program, including reporting to the board on at least an annual basis regarding the Program’s operation, its adequacy, and the effectiveness of its implementation for the past year (the “Program Administrator Report”). The board has reviewed the Program Administrator Report covering the period from January 1, 2022, through December 31, 2022 (the “Review Period”). The Program Administrator Report stated that during the Review Period the Program operated and was implemented effectively to manage the fund’s liquidity risk.



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You can 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.