

Annual Report | September 30, 2020

Vanguard Strategic Small-Cap Equity Fund

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

Important information about access to shareholder reports

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

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

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

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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.

Your Fund's Performance at a Glance

- Vanguard Strategic Small-Cap Equity Fund returned –5.55% for the 12 months ended September 30, 2020. The fund lagged its benchmark index, which returned –0.58%. The broad U.S. stock market as measured by the Russell 3000 Index returned 15.00% for the period.
- After a sharp, pandemic-related decline earlier in 2020, global stocks began a rebound in March that continued into the third quarter. Massive fiscal and monetary support from governments and central banks, signs of economic healing, and reported progress toward a COVID-19 vaccine all buoyed the markets until September, when investor sentiment soured a little.
- Large-capitalization stocks outpaced mid- and small-caps, and growth stocks again returned more than value stocks.
- Seven of the 11 industry sectors in the fund detracted from relative performance. Energy, communication services, financials, and information technology were the sole contributors. Health care, consumer discretionary, and industrials were the biggest detractors.
- For the 10 years ended September 30, the fund posted an average annual return of 9.78%. This result was below that of its benchmark (+10.32%).

Market Barometer

	Average Annual Total Returns Periods Ended September 30, 2020		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	16.01%	12.38%	14.09%
Russell 2000 Index (Small-caps)	0.39	1.77	8.00
Russell 3000 Index (Broad U.S. market)	15.00	11.65	13.69
FTSE All-World ex US Index (International)	3.55	1.50	6.49
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	6.98%	5.24%	4.18%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	4.09	4.28	3.84
FTSE Three-Month U.S. Treasury Bill Index	1.02	1.65	1.15
CPI			
Consumer Price Index	1.37%	1.79%	1.81%

Advisor's Report

For the 12 months ended September 30, 2020, Vanguard Strategic Small-Cap Equity Fund returned -5.55%. It lagged its benchmark, the MSCI US Small Cap 1750 Index, which returned -0.58%.

Investment environment

After a sharp, pandemic-related decline earlier in 2020, global stocks began a rebound in March that continued into the third quarter. Massive fiscal and monetary support from governments and central banks, signs of economic healing, and reported progress toward a COVID-19 vaccine all buoyed the markets. Investor sentiment soured and volatility returned in September, though, amid stretched valuations in the technology sector, a resurgence in coronavirus infections in some regions, and dimmer chances of a new government aid package in the United States.

In the United States, where the fund concentrates its holdings, large-capitalization stocks outpaced mid- and small-caps, and growth stocks again returned more than value stocks.

In the global bond market, the pandemic led to a wave of issuance, which drove up supply, but demand held up fairly well. Yields ended the quarter little changed.

Investment objective and strategy

Although we consider it important to understand how overall performance is affected by macro factors, our approach to investing focuses on specific fundamentals. We compare stocks within industry groups to identify those we believe will outperform over time.

Our strict quantitative approach evaluates a stock's attractiveness based on five key characteristics: high quality, with healthy balance sheets and steady cash flow generation; effective management decisions, including sound investment policies that favor internal over external funding; consistent earnings growth, with the ability to grow earnings year after year; strong market sentiment, or market confirmation of our view; and reasonable valuation, focused on avoiding overpriced stocks.

Using these five themes, we generate a daily composite stock ranking, seeking to capitalize on market inefficiencies. We then monitor our portfolio based on those rankings and adjust when appropriate to maximize expected returns and minimize exposure to risks that our research indicates don't improve returns (such as industry selection and other risks relative to the benchmark).

Our successes and shortfalls

Our momentum and value models aided relative performance, but our management decisions, quality, and growth models more than offset those advantages. At the sector level, four of the 11 industry sectors helped performance. Energy, communication services, and financials were the top contributors. Health care, consumer discretionary, and industrials were the biggest detractors.

The portfolio benefited from overweights to Advanced Micro Devices, Synaptics, and Five9 in information technology and Quidel and STAAR Surgical in health care. The greatest shortfalls came from overweights to Triumph Group in industrials, CoreCivic and SITE Centers in real estate, and MGIC Investment in financials. An underweight position in health care company Teledoc also hurt results.

We believe that the Strategic Small-Cap Equity Fund offers a strong mix of stocks with attractive valuations and growth characteristics relative to its benchmark. Although we recognize that risk can reward or punish us over the near term, we believe that constructing a portfolio that emphasizes our key fundamentals through different market environments will benefit investors over the long term.

We thank you for your investment and look forward to the coming fiscal year.

Portfolio Managers:

James P. Stetler

Binbin Guo, Principal, Head of
Alpha Equity Investments

Vanguard Quantitative Equity Group

October 19, 2020

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, 2020

	Beginning Account Value 3/31/2020	Ending Account Value 9/30/2020	Expenses Paid During Period
Strategic Small-Cap Equity Fund			
Based on Actual Fund Return	\$1,000.00	\$1,318.52	\$1.51
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.70	1.32

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 0.26%. 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 (183/366).

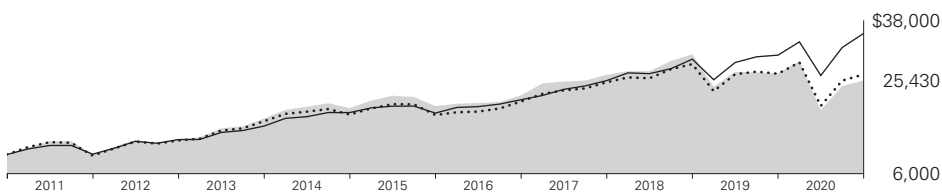
Strategic Small-Cap Equity Fund

Performance Summary

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

Cumulative Performance: September 30, 2010, Through September 30, 2020

Initial Investment of \$10,000



Average Annual Total Returns
Periods Ended September 30, 2020

	One Year	Five Years	Ten Years	Final Value of a \$10,000 Investment
— Strategic Small-Cap Equity Fund	-5.55%	4.82%	9.78%	\$25,430
..... MSCI US Small Cap 1750 Index	-0.58	7.92	10.32	26,694
— Dow Jones U.S. Total Stock Market Float Adjusted Index	14.77	13.60	13.43	35,263

See Financial Highlights for dividend and capital gains information.

Fund Allocation

As of September 30, 2020

Communication Services	2.7%
Consumer Discretionary	12.6
Consumer Staples	3.8
Energy	2.2
Financials	14.4
Health Care	16.5
Industrials	16.7
Information Technology	16.4
Materials	4.1
Real Estate	7.8
Utilities	2.8

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

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.

Financial Statements

Schedule of Investments

As of September 30, 2020

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 (99.7%)					
Communication Services (2.7%)					
* Consolidated Communications Holdings Inc.	816,718	4,647	* Asbury Automotive Group Inc.	34,674	3,379
* Zynga Inc. Class A	303,337	2,766	* American Axle & Manufacturing Holdings Inc.	553,985	3,197
* Bandwidth Inc. Class A	15,744	2,748	* Stamps.com Inc.	12,525	3,018
* ANGI Homeservices Inc. Class A	210,399	2,334	Big Lots Inc.	64,935	2,896
* Lions Gate Entertainment Corp. Class A	237,118	2,248	* Murphy USA Inc.	22,064	2,830
* Glu Mobile Inc.	241,837	1,856	* Skyline Champion Corp.	104,752	2,804
* Eventbrite Inc. Class A	168,575	1,829	* Gentherm Inc.	67,726	2,770
* Cars.com Inc.	212,715	1,719	* Rh	7,228	2,766
* MSG Networks Inc.	169,999	1,627	* Hibbett Sports Inc.	67,989	2,667
* TechTarget Inc.	25,910	1,139	Thor Industries Inc.	27,082	2,580
* Boingo Wireless Inc.	105,315	1,074	* Penn National Gaming Inc. Aaron's Inc.	33,540	2,438
* Vonage Holdings Corp.	94,794	970	Camping World Holdings Inc. Class A	37,842	2,144
* AMC Networks Inc. Class A	38,843	960	H&R Block Inc.	127,109	2,071
* EverQuote Inc. Class A	21,631	836	Kontoor Brands Inc.	84,942	2,056
* Gray Television Inc.	18,987	261	* Laureate Education Inc. Class A	148,191	1,968
* iHeartMedia Inc. Class A	31,733	258	ODP Corp.	96,925	1,885
Loral Space & Communications Inc.	12,929	236	* PetMed Express Inc.	51,393	1,625
* Cardlytics Inc.	3,141	222	* Perdoceo Education Corp.	129,470	1,585
*^ Gogo Inc.	12,307	114	* iRobot Corp.	20,715	1,572
		27,844	* El Pollo Loco Holdings Inc.	90,652	1,469
Consumer Discretionary (12.6%)			* Scientific Games Corp.	41,807	1,459
* TRI Pointe Group Inc.	390,140	7,077	* Dorman Products Inc.	15,852	1,433
* Meritage Homes Corp.	61,332	6,770	* Del Taco Restaurants Inc.	154,789	1,269
* frontdoor Inc.	161,122	6,269	Ruth's Hospitality Group Inc.	101,177	1,119
Brunswick Corp.	101,704	5,991	Wendy's Co.	49,224	1,097
Papa John's International Inc.	70,915	5,835	* Tupperware Brands Corp.	51,594	1,040
Rent-A-Center Inc.	185,591	5,547	Strategic Education Inc.	10,974	1,004
* TopBuild Corp.	25,832	4,409	* WW International Inc.	47,560	897
Wingstop Inc.	30,874	4,219	* Red Robin Gourmet Burgers Inc.	64,990	855
* Planet Fitness Inc. Class A	68,070	4,194	*^ GameStop Corp. Class A	79,625	812
Shutterstock Inc.	73,331	3,816	* At Home Group Inc.	54,599	811
			* Carrols Restaurant Group Inc.	124,557	803

Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* 1-800-Flowers.com Inc. Class A	31,672	790	* elf Beauty Inc.	48,863	897
* MarineMax Inc.	30,766	790	* USANA Health Sciences Inc.	9,639	710
* Universal Electronics Inc.	20,458	772	SpartanNash Co.	36,017	589
Williams-Sonoma Inc.	8,366	757	* United Natural Foods Inc.	28,450	423
* AutoNation Inc.	14,206	752	* Sprouts Farmers Market Inc.	19,906	417
* Malibu Boats Inc. Class A	13,854	687	Weis Markets Inc.	7,896	379
* Grand Canyon Education Inc.	8,324	665	* Rite Aid Corp.	33,941	322
* Fiesta Restaurant Group Inc.	68,490	642	* Central Garden & Pet Co.	5,803	232
Shoe Carnival Inc.	18,610	625			38,857
* Lovesac Co.	22,526	624	Energy (2.2%)		
* Tempur Sealy International Inc.	6,400	571	* Renewable Energy Group Inc.	55,476	2,964
Bloomin' Brands Inc.	33,245	508	World Fuel Services Corp.	101,547	2,152
* M/I Homes Inc.	9,566	441	* Green Plains Inc.	136,372	2,111
* American Public Education Inc.	14,104	398	Range Resources Corp.	312,648	2,070
* Adtalem Global Education Inc.	16,019	393	Targa Resources Corp.	103,564	1,453
* Sleep Number Corp.	7,859	384	* CONSOL Energy Inc.	297,355	1,317
* Chuy's Holdings Inc.	18,146	355	* Magnolia Oil & Gas Corp. Class A	251,779	1,302
Dine Brands Global Inc.	6,110	334	Arch Coal Inc. Class A	29,414	1,249
* MasterCraft Boat Holdings Inc.	17,506	306	International Seaways Inc.	65,489	957
* Genesco Inc.	13,804	297	* REX American Resources Corp.	13,944	915
* Veoneer Inc.	19,746	290	Antero Midstream Corp.	151,922	816
* Cavco Industries Inc.	1,590	287	DMC Global Inc.	21,695	715
* Accel Entertainment Inc. Class A	22,298	239	CVR Energy Inc.	48,069	595
* Adient plc	12,928	224	EQT Corp.	36,393	471
* Chegg Inc.	3,126	223	* Oceaneering International Inc.	128,290	452
* Mattel Inc.	18,685	219	Equitrans Midstream Corp.	53,135	449
* Michaels Cos. Inc.	20,226	195	EnLink Midstream LLC	186,520	438
* Conn's Inc.	18,059	191	* CNX Resources Corp.	45,004	425
Movado Group Inc.	18,895	188	* W&T Offshore Inc.	198,752	358
* Houghton Mifflin Harcourt Co.	76,581	133	Nabors Industries Ltd.	9,657	236
		129,833	* Diamond S Shipping Inc.	33,159	228
Consumer Staples (3.8%)			* Dorian LPG Ltd.	25,727	206
Coca-Cola Consolidated Inc.	27,105	6,523	* Southwestern Energy Co.	85,289	200
John B Sanfilippo & Son Inc.	71,690	5,404	* Antero Resources Corp.	65,156	179
* Edgewell Personal Care Co.	188,628	5,259	Ovintiv Inc.	21,491	175
Ingles Markets Inc. Class A	120,823	4,596	Cactus Inc.	6,319	121
* TreeHouse Foods Inc.	108,091	4,381	* Oil States International Inc.	13,251	36
* BJ's Wholesale Club Holdings Inc.	85,192	3,540			22,590
* Hain Celestial Group Inc.	84,558	2,900	Financials (14.3%)		
^ B&G Foods Inc.	82,272	2,285	Primerica Inc.	72,112	8,159
			Hanover Insurance Group Inc.	75,789	7,062
			International Bancshares Corp.	226,652	5,907
			Federal Agricultural Mortgage Corp. Class C	90,467	5,759
			LPL Financial Holdings Inc.	74,080	5,680
			FNB Corp.	757,605	5,137

Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Hilltop Holdings Inc.	247,147	5,086	* Focus Financial Partners Inc. Class A	29,272	960
CNO Financial Group Inc.	313,055	5,021	* Brighthouse Financial Inc.	34,386	925
Radian Group Inc.	336,735	4,920	Mercury General Corp.	21,560	892
BrightSphere Investment Group Inc.	366,598	4,729	First Financial Bancorp	70,745	849
* Cannae Holdings Inc.	111,946	4,171	B Riley Financial Inc.	33,621	842
Associated Banc-Corp	312,795	3,947	Prosperity Bancshares Inc.	15,158	786
* NMI Holdings Inc. Class A	212,898	3,790	* eHealth Inc.	9,900	782
Flagstar Bancorp Inc.	121,317	3,595	Cowen Inc. Class A	44,981	732
OFG Bancorp	264,145	3,291	South State Corp.	14,944	720
* Enova International Inc.	185,100	3,034	Columbia Banking System Inc.	27,383	653
Universal Insurance Holdings Inc.	218,341	3,022	Curo Group Holdings Corp.	76,319	538
Cohen & Steers Inc.	54,068	3,014	Great Western Bancorp Inc.	39,812	496
Umpqua Holdings Corp.	274,359	2,914	* Donnelley Financial Solutions Inc.	32,378	433
Navigent Corp.	322,892	2,728	UMB Financial Corp.	8,730	428
First Citizens BancShares Inc. Class A	8,388	2,674	Old National Bancorp	32,257	405
Virtu Financial Inc. Class A	115,088	2,648	BancFirst Corp.	9,371	383
Nelnet Inc. Class A	42,595	2,566	First Interstate BancSystem Inc. Class A	11,145	355
First National Bankshares Inc.	86,049	2,402	Safety Insurance Group Inc.	4,301	297
Artisan Partners Asset Management Inc. Class A	61,242	2,388	* Blucora Inc.	24,166	228
Westamerica BanCorp	43,172	2,346	* Employers Holdings Inc.	7,056	213
First Midwest Bancorp Inc.	202,498	2,183	* StoneX Group Inc.	3,732	191
Interactive Brokers Group Inc.	44,321	2,142	Community Bank System Inc.	2,655	145
Federated Hermes Inc. Class B	90,934	1,956			147,587
Banner Corp.	59,977	1,935	Health Care (16.5%)		
American Equity Investment Life Holding Co. Class A	87,189	1,917	* Medpace Holdings Inc.	68,941	7,704
CVB Financial Corp.	112,480	1,870	* PRA Health Sciences Inc.	65,388	6,633
PennyMac Financial Services Inc.	32,114	1,866	* Charles River Laboratories International Inc.	27,188	6,157
Bank of Hawaii Corp.	35,514	1,794	*^ AMAG Pharmaceuticals Inc.	583,273	5,483
Walker & Dunlop Inc.	32,677	1,732	Patterson Cos. Inc.	226,681	5,464
* Mr Cooper Group Inc.	64,146	1,432	Bruker Corp.	137,385	5,461
Waddell & Reed Financial Inc. Class A	96,251	1,429	* Veeva Systems Inc. Class A	19,154	5,386
First Hawaiian Inc.	98,340	1,423	* MEDNAX Inc.	315,977	5,144
S&T Bancorp Inc.	80,434	1,423	* Tenet Healthcare Corp.	202,385	4,960
First BanCorp	219,368	1,145	* Prestige Consumer Healthcare Inc.	131,870	4,803
Pinnacle Financial Partners Inc.	32,093	1,142	* Quidel Corp.	21,340	4,682
* Palomar Holdings Inc.	9,778	1,019	* Inovalon Holdings Inc. Class A	176,224	4,661
Popular Inc.	27,564	1,000	* Enanta Pharmaceuticals Inc.	98,518	4,510
* Encore Capital Group Inc.	25,264	975	* Novocure Ltd.	32,919	3,664
MGIC Investment Corp.	108,511	961	* LHC Group Inc.	16,075	3,417
			* Allscripts Healthcare Solutions Inc.	399,661	3,253
			* Select Medical Holdings Corp.	150,680	3,137

Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Iovance Biotherapeutics Inc.	91,882	3,025	* Kiniksa Pharmaceuticals Ltd. Class A	42,912	657
Ensign Group Inc.	51,276	2,926	* Magellan Health Inc.	8,134	616
* Pacific Biosciences of California Inc.	296,258	2,924	* Molecular Templates Inc.	55,622	607
* Ironwood Pharmaceuticals Inc. Class A	324,801	2,922	* Nektar Therapeutics Class A	35,075	582
* Novavax Inc.	26,655	2,888	*^ Precigen Inc.	154,971	542
* Retrophin Inc.	153,215	2,828	* CytomX Therapeutics Inc.	73,273	487
* Acceleron Pharma Inc.	23,567	2,652	* National HealthCare Corp.	7,339	457
* Covetrus Inc.	106,013	2,587	* Fulgent Genetics Inc.	11,329	454
* Emergent BioSolutions Inc.	24,439	2,525	*^ Co-Diagnostics Inc.	31,418	427
*^ Esperion Therapeutics Inc.	66,925	2,488	* Zynex Inc.	23,477	410
* CRISPR Therapeutics AG	28,583	2,391	* Chemed Corp.	850	408
* Puma Biotechnology Inc.	227,827	2,299	* BioTelemetry Inc.	8,600	392
* Minerva Neurosciences Inc.	679,261	2,160	* Surgery Partners Inc.	17,625	386
Luminex Corp.	78,272	2,055	* GlycoMimetics Inc.	115,836	356
* Pennant Group Inc.	49,377	1,904	*^ Clovis Oncology Inc.	60,066	350
* GenMark Diagnostics Inc.	132,709	1,884	* OPKO Health Inc.	82,054	303
* ImmunoGen Inc.	509,761	1,835	* MacroGenics Inc.	11,851	299
* Tivity Health Inc.	130,627	1,831	*^ Accelerate Diagnostics Inc.	26,425	282
* Cytokinetics Inc.	80,039	1,733	*^ Acorda Therapeutics Inc.	490,267	252
* Alkermes plc	102,901	1,705	* Syros Pharmaceuticals Inc.	28,048	248
* Agios Pharmaceuticals Inc.	47,503	1,663	* Apollo Medical Holdings Inc.	13,660	245
* Integer Holdings Corp.	27,028	1,595	* Amneal Pharmaceuticals Inc.	61,720	239
* Natera Inc.	20,848	1,506	* Myovant Sciences Ltd.	16,878	237
* Eidos Therapeutics Inc.	28,340	1,432	* Spectrum Pharmaceuticals Inc.	58,117	237
* Myriad Genetics Inc.	101,746	1,327	* Haemonetics Corp.	2,670	233
* Bioexcel Therapeutics Inc.	30,376	1,317	* AngioDynamics Inc.	18,900	228
* Denali Therapeutics Inc.	35,780	1,282	* Editas Medicine Inc.	7,412	208
* Deciphera Pharmaceuticals Inc.	24,890	1,277	* Radius Health Inc.	17,910	203
* Meridian Bioscience Inc.	68,224	1,158	* OraSure Technologies Inc.	15,800	192
* iRhythm Technologies Inc.	4,841	1,153	* Akebia Therapeutics Inc.	75,680	190
* Community Health Systems Inc.	272,674	1,151	* Assembly Biosciences Inc.	10,232	168
* CorVel Corp.	13,469	1,151	* HealthStream Inc.	8,033	161
* Reata Pharmaceuticals Inc. Class A	11,692	1,139	* Constellation Pharmaceuticals Inc.	7,176	145
* Voyager Therapeutics Inc.	102,911	1,098	* Teladoc Health Inc.	400	88
* Agenesis Inc.	273,398	1,094	* Brookdale Senior Living Inc.	17,063	43
*^ Inovio Pharmaceuticals Inc.	94,266	1,093			
* Blueprint Medicines Corp.	10,395	964			169,399
* BioCryst Pharmaceuticals Inc.	266,950	917	Industrials (16.6%)		
* Xencor Inc.	22,626	878	* Generac Holdings Inc.	47,467	9,192
* US Physical Therapy Inc.	8,264	718	Rush Enterprises Inc. Class A	143,327	7,244
* Vanda Pharmaceuticals Inc.	73,545	710	* Builders FirstSource Inc.	196,821	6,420
* AnaptysBio Inc.	47,715	704	* GMS Inc.	264,858	6,383
Computer Programs and Systems Inc.	23,856	659	UFP Industries Inc.	112,464	6,355
			Tetra Tech Inc.	66,166	6,319
			Triton International Ltd.	155,358	6,318

Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Kforce Inc.	178,067	5,728	Exponent Inc.	13,848	997
* MasTec Inc.	133,846	5,648	Lindsay Corp.	10,076	974
* Aerojet Rocketdyne Holdings Inc.	120,486	4,806	Brink's Co.	22,171	911
* Echo Global Logistics Inc.	181,596	4,680	Argan Inc.	21,672	908
* Atkore International Group Inc.	197,188	4,482	Kelly Services Inc. Class A	52,919	902
* Foundation Building Materials Inc.	281,685	4,428	Werner Enterprises Inc.	21,023	883
ArcBest Corp.	140,207	4,355	Kaman Corp.	21,722	846
* FTI Consulting Inc.	39,353	4,170	^ ADT Inc.	99,083	809
Ennis Inc.	238,271	4,155	ABM Industries Inc.	19,862	728
MSC Industrial Direct Co. Inc. Class A	60,301	3,816	Covanta Holding Corp.	92,416	716
Landstar System Inc.	27,836	3,493	Wabash National Corp.	51,287	613
* Colfax Corp.	109,430	3,432	ManpowerGroup Inc.	8,300	609
Franklin Electric Co. Inc.	57,344	3,374	Pinney Bowes Inc.	113,017	600
* American Woodmark Corp.	36,174	2,841	* SPX Corp.	12,799	594
Steelcase Inc. Class A	278,301	2,814	* JELD-WEN Holding Inc.	24,521	554
* Aecom	64,426	2,696	* Beacon Roofing Supply Inc.	16,676	518
Applied Industrial Technologies Inc.	46,636	2,570	* Great Lakes Dredge & Dock Corp.	53,477	509
Deluxe Corp.	99,325	2,556	Watsco Inc.	2,049	477
Acuity Brands Inc.	23,347	2,390	Herman Miller Inc.	14,110	426
EMCOR Group Inc.	33,186	2,247	Quad/Graphics Inc.	135,304	410
Terex Corp.	113,666	2,201	KAR Auction Services Inc.	25,892	373
* Stericycle Inc.	32,861	2,072	CAI International Inc.	11,783	324
Mueller Industries Inc.	68,326	1,849	Matthews International Corp. Class A	14,064	314
Enerpac Tool Group Corp. Class A	95,837	1,803	* Upwork Inc.	16,841	294
* Vicor Corp.	20,927	1,627	* Daseke Inc.	53,018	285
Schneider National Inc. Class B	64,427	1,593	Fluor Corp.	30,900	272
* Masonite International Corp.	15,789	1,554	National Presto Industries Inc.	2,498	204
* Atlas Air Worldwide Holdings Inc.	24,578	1,497	Albany International Corp. Class A	1,952	97
McGrath RentCorp	24,605	1,466	* Avis Budget Group Inc.	3,668	97
Astec Industries Inc.	25,759	1,397			170,966
Maxar Technologies Inc.	55,172	1,376	Information Technology (16.3%)		
* SiteOne Landscape Supply Inc.	11,231	1,370	SYNNEX Corp.	65,197	9,131
* Herc Holdings Inc.	33,862	1,341	* Manhattan Associates Inc.	85,455	8,160
* Gibraltar Industries Inc.	20,481	1,334	* Synaptics Inc.	96,036	7,723
* Dycem Industries Inc.	24,128	1,274	Jabil Inc.	222,681	7,629
* Hub Group Inc. Class A	24,711	1,240	* Workiva Inc. Class A	129,655	7,230
* Ameresco Inc. Class A	35,872	1,198	TTEC Holdings Inc.	131,942	7,197
Armstrong World Industries Inc.	17,323	1,192	Booz Allen Hamilton Holding Corp. Class A	78,920	6,549
* Sunrun Inc.	15,125	1,166	ManTech International Corp. Class A	93,576	6,445
Primoris Services Corp.	61,973	1,118	* Lumentum Holdings Inc.	81,492	6,122
* Cornerstone Building Brands Inc.	134,312	1,072	* CACI International Inc. Class A	28,277	6,028
* Tutor Perini Corp.	96,115	1,070	Avnet Inc.	205,354	5,306
			* Amkor Technology Inc.	419,270	4,696
			* Cirrus Logic Inc.	64,884	4,376
			* Five9 Inc.	33,573	4,354
			*^ SunPower Corp.	337,424	4,221

Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Domo Inc.	109,384	4,193	* Benefitfocus Inc.	45,128	505
Perspecta Inc.	213,487	4,152	ADTRAN Inc.	34,592	355
* Box Inc.	235,425	4,087	* HubSpot Inc.	960	281
* Advanced Micro Devices Inc.	45,731	3,749	* PDF Solutions Inc.	13,199	247
* Fastly Inc. Class A	36,813	3,449	* FireEye Inc.	17,170	212
* SolarEdge Technologies Inc.	14,372	3,426	* Altair Engineering Inc. Class A	4,400	185
* Nuance Communications Inc.	99,159	3,291	* Conduent Inc.	16,676	53
* Avaya Holdings Corp.	201,251	3,059			167,875
* Enphase Energy Inc.	36,609	3,024	Materials (4.1%)		
MAXIMUS Inc.	36,448	2,493	* Element Solutions Inc.	622,501	6,542
* Verint Systems Inc.	41,400	1,995	Valvoline Inc.	238,153	4,534
* Teradata Corp.	86,685	1,968	Louisiana-Pacific Corp.	136,494	4,028
Plantronics Inc.	156,262	1,850	* Coeur Mining Inc.	499,835	3,689
* TTM Technologies Inc.	134,002	1,529	Royal Gold Inc.	30,351	3,647
* Infinera Corp.	241,704	1,489	Sensient Technologies Corp.	59,640	3,444
* Inphi Corp.	13,101	1,471	Boise Cascade Co.	85,895	3,429
* Fabrinet	22,647	1,427	Commercial Metals Co.	155,015	3,097
* SMART Global Holdings Inc.	51,273	1,402	Verso Corp.	308,204	2,432
* MACOM Technology Solutions Holdings Inc.	40,404	1,374	Domtar Corp.	84,659	2,224
* NETGEAR Inc.	43,535	1,342	O-I Glass Inc.	135,863	1,439
* Sykes Enterprises Inc.	37,054	1,268	Silgan Holdings Inc.	22,023	810
* NeoPhotonics Corp.	204,419	1,245	Stepan Co.	7,014	765
* Diebold Nixdorf Inc.	149,879	1,145	* Kraton Corp.	22,773	406
* Veeco Instruments Inc.	97,126	1,133	* Forterra Inc.	31,396	371
* Cornerstone OnDemand Inc.	31,076	1,130	* Clearwater Paper Corp.	9,357	355
* Endurance International Group Holdings Inc.	196,825	1,130	* Koppers Holdings Inc.	14,420	301
* Digital Turbine Inc.	34,353	1,125	Avient Corp.	8,700	230
* Cardtronics plc Class A	55,669	1,102	Hawkins Inc.	4,750	219
CSG Systems International Inc.	26,108	1,069	Huntsman Corp.	6,444	143
Xperi Holding Corp.	92,527	1,063			42,105
* CommScope Holding Co. Inc.	113,479	1,021	Real Estate (7.8%)		
* Applied Optoelectronics Inc.	87,592	985	MGM Growth Properties LLC Class A	235,147	6,580
* Cloudera Inc.	85,411	930	National Health Investors Inc.	101,743	6,132
* QAD Inc. Class A	21,110	891	Sabra Health Care REIT Inc.	441,190	6,082
* Model N Inc.	24,339	859	Uniti Group Inc.	554,375	5,840
* Unisys Corp.	69,415	741	GEO Group Inc.	511,231	5,797
* Maxeon Solar Technologies Ltd.	42,178	715	CoreCivic Inc.	567,151	4,537
* Evo Payments Inc. Class A	28,768	715	* Redfin Corp.	85,977	4,293
* International Money Express Inc.	46,955	674	PotlatchDeltic Corp.	92,875	3,910
* Agilysys Inc.	26,069	630	Independence Realty Trust Inc.	314,187	3,642
* Ultra Clean Holdings Inc.	24,628	529	Piedmont Office Realty Trust Inc. Class A	266,590	3,618
			Spirit Realty Capital Inc.	67,509	2,279
			Brandywine Realty Trust	218,602	2,260
			QTS Realty Trust Inc. Class A	35,257	2,222
			Lexington Realty Trust	210,331	2,198
			* Realogy Holdings Corp.	218,464	2,062

Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Global Net Lease Inc.	104,749	1,666	Temporary Cash Investments (2.2%)		
RE/MAX Holdings Inc. Class A	50,018	1,637	Money Market Fund (2.1%)		
Office Properties Income Trust	75,821	1,571	1.2 Vanguard Market Liquidity Fund, 0.117%	212,030	21,203
Retail Properties of America Inc.	266,421	1,548		Face Amount (\$000)	
American Finance Trust Inc.	226,037	1,417	U.S. Government and Agency Obligations (0.1%)		
New Senior Investment Group Inc.	308,095	1,232	3 United States Cash Management Bill, 0.146%, 12/15/2020	700	700
SITE Centers Corp.	165,718	1,193	Total Temporary Cash Investments (Cost \$21,899)		
Diversified Healthcare Trust	331,053	1,165			21,903
Universal Health Realty Income Trust	19,049	1,086	Total Investments (101.9%) (Cost \$1,023,088)		
One Liberty Properties Inc.	52,036	851	Other Assets and Liabilities—		
Columbia Property Trust Inc.	70,850	773	Net (-1.9%)		
Kite Realty Group Trust	62,716	726	Net Assets (100%)		
Monmouth Real Estate Investment Corp.	47,305	655	1,028,573		
Life Storage Inc.	5,468	576	Cost is in \$000.		
RPT Realty	101,168	550	• See Note A in Notes to Financial Statements.		
^ Tanger Factory Outlet Centers Inc.	78,636	474	* Non-income-producing security.		
UMH Properties Inc.	33,190	450	^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$16,672,000.		
City Office REIT Inc.	59,087	444	1 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.		
Xenia Hotels & Resorts Inc.	38,072	334	2 Collateral of \$17,957,000 was received for securities on loan, of which \$17,197,000 is held in Vanguard Market Liquidity Fund and \$760,000 is held in cash.		
^ Macerich Co.	46,528	316	3 Securities with a value of \$482,000 have been segregated as initial margin for open futures contracts.		
Equity Commonwealth	8,414	224	REIT—Real Estate Investment Trust.		
		80,340			
Utilities (2.8%)					
PNM Resources Inc.	185,372	7,661			
Hawaiian Electric Industries Inc.	172,426	5,732			
IDACORP Inc.	38,741	3,095			
Unitil Corp.	76,271	2,947			
Otter Tail Corp.	74,750	2,704			
Clearway Energy Inc.	74,865	2,018			
American States Water Co.	16,033	1,202			
MDU Resources Group Inc.	52,384	1,179			
Black Hills Corp.	15,467	827			
Portland General Electric Co.	13,059	464			
Clearway Energy Inc. Class A	10,621	262			
York Water Co.	5,031	213			
		28,304			
Total Common Stocks (Cost \$1,001,189)			1,025,700		

Strategic Small-Cap Equity Fund

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

			(\$000)	
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
<hr/> Long Futures Contracts				
E-mini Russell 2000 Index	December 2020	66	4,965	(16)

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

Statement of Assets and Liabilities

As of September 30, 2020

(\$000s, except shares and per-share amounts)	Amount
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$1,001,889)	1,026,400
Affiliated Issuers (Cost \$21,199)	21,203
Total Investments in Securities	1,047,603
Investment in Vanguard	45
Cash	784
Receivables for Investment Securities Sold	41,190
Receivables for Accrued Income	838
Receivables for Capital Shares Issued	377
Total Assets	1,090,837
Liabilities	
Payables for Investment Securities Purchased	41,511
Collateral for Securities on Loan	17,957
Payables for Capital Shares Redeemed	2,642
Payables to Vanguard	139
Variation Margin Payable—Futures Contracts	15
Total Liabilities	62,264
Net Assets	1,028,573

At September 30, 2020, net assets consisted of:

Paid-in Capital	1,049,330
Total Distributable Earnings (Loss)	(20,757)
Net Assets	1,028,573

Net Assets

Applicable to 36,119,843 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	1,028,573
Net Asset Value Per Share	\$28.48

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

Statement of Operations

	Year Ended September 30, 2020
	(\$000)
Investment Income	
Income	
Dividends	16,803
Interest ¹	50
Securities Lending—Net	2,283
Total Income	19,136
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	950
Management and Administrative	1,904
Marketing and Distribution	161
Custodian Fees	18
Auditing Fees	31
Shareholders' Reports	30
Trustees' Fees and Expenses	1
Total Expenses	3,095
Net Investment Income	16,041
Realized Net Gain (Loss)	
Investment Securities Sold ¹	(44,872)
Futures Contracts	(500)
Realized Net Gain (Loss)	(45,372)
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	(52,863)
Futures Contracts	194
Change in Unrealized Appreciation (Depreciation)	(52,669)
Net Increase (Decrease) in Net Assets Resulting from Operations	(82,000)

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$46,000, \$0, and \$0, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Year Ended September 30,	
	2020 (\$000)	2019 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	16,041	19,192
Realized Net Gain (Loss)	(45,372)	37,368
Change in Unrealized Appreciation (Depreciation)	(52,669)	(308,307)
Net Increase (Decrease) in Net Assets Resulting from Operations	(82,000)	(251,747)
Distributions¹		
Total Distributions	(58,643)	(153,907)
Capital Share Transactions		
Issued	213,872	319,383
Issued in Lieu of Cash Distributions	53,758	142,242
Redeemed	(493,499)	(577,783)
Net Increase (Decrease) from Capital Share Transactions	(225,869)	(116,158)
Total Increase (Decrease)	(366,512)	(521,812)
Net Assets		
Beginning of Period	1,395,085	1,916,897
End of Period	1,028,573	1,395,085

¹ Certain prior-period numbers have been reclassified to conform with current-period presentation.

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended September 30,				
	2020	2019	2018	2017	2016
Net Asset Value, Beginning of Period	\$31.41	\$40.21	\$36.99	\$31.45	\$28.95
Investment Operations					
Net Investment Income	.392 ¹	.393 ¹	.373 ¹	.462 ¹	.494
Net Realized and Unrealized Gain (Loss) on Investments	(1.955)	(5.888)	5.294	5.545	2.682
Total from Investment Operations	(1.563)	(5.495)	5.667	6.007	3.176
Distributions					
Dividends from Net Investment Income	(.393)	(.378)	(.394)	(.467)	(.340)
Distributions from Realized Capital Gains	(.974)	(2.927)	(2.053)	—	(.336)
Total Distributions	(1.367)	(3.305)	(2.447)	(.467)	(.676)
Net Asset Value, End of Period	\$28.48	\$31.41	\$40.21	\$36.99	\$31.45
Total Return²	-5.55%	-12.91%	16.13%	19.19%	11.14%
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	\$1,029	\$1,395	\$1,917	\$1,673	\$1,351
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.29%	0.29%	0.29%
Ratio of Net Investment Income to Average Net Assets	1.35%	1.22%	0.99%	1.34%	1.78%
Portfolio Turnover Rate	66%	67%	88%	91%	89%

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.

Notes to Financial Statements

Vanguard Strategic Small-Cap Equity Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect assets of the fund and thus fund performance.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The fund consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. 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. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The fund may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the fund and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any securities pledged as initial margin for open contracts are noted in the Schedule of Investments.

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

During the year ended September 30, 2020, the fund's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

3. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute 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.

4. 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.

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

6. 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, 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; 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 either facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate (or an acceptable alternate rate, if necessary), federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread, except that borrowings under the uncommitted credit facility may bear interest based upon an alternative 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 year ended September 30, 2020, the fund did not utilize the credit facilities or the Interfund Lending Program.

7. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities 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.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees 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 September 30, 2020, the fund had contributed to Vanguard capital in the amount of \$45,000, representing less than 0.01% of the fund's net assets and 0.02% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the fund's investments and derivatives. 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 and derivatives valued with significant unobservable inputs are noted on the Schedule of Investments.

Strategic Small-Cap Equity Fund

The following table summarizes the market value of the fund's investments and derivatives as of September 30, 2020, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
Investments				
Assets				
Common Stocks	1,025,700	—	—	1,025,700
Temporary Cash Investments	21,203	700	—	21,903
Total	1,046,903	700	—	1,047,603
Derivative Financial Instruments				
Liabilities				
Futures Contracts ¹	15	—	—	15

¹ Represents variation margin on the last day of the reporting period.

D. Permanent differences between book-basis and tax-basis components of net assets, if any, 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.

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. The differences are primarily related to the deferral of losses from wash sales; the recognition of unrealized gains or losses from certain derivative contracts; and the deferral of qualified late-year losses. As of period end, the tax-basis components of total distributable earnings (loss) are detailed in the table as follows:

	Amount (\$000)
Undistributed Ordinary Income	10,433
Undistributed Long-Term Gains	—
Capital Loss Carryforwards	—
Qualified Late-Year Losses	(55,705)
Net Unrealized Gains (Losses)	24,515

Strategic Small-Cap Equity Fund

The tax character of distributions paid was as follows:

	Year Ended September 30,	
	2020 Amount (\$000)	2019 Amount (\$000)
Ordinary Income*	16,850	28,176
Long-Term Capital Gains	41,793	125,731
Total	58,643	153,907

* Includes short-term capital gains, if any.

As of September 30, 2020, 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	1,023,088
Gross Unrealized Appreciation	171,077
Gross Unrealized Depreciation	(146,562)
Net Unrealized Appreciation (Depreciation)	24,515

E. During the year ended September 30, 2020, the fund purchased \$783,798,000 of investment securities and sold \$1,043,224,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Year Ended September 30,	
	2020 Shares (000)	2019 Shares (000)
Issued	7,704	10,044
Issued in Lieu of Cash Distributions	1,637	4,946
Redeemed	(17,640)	(18,246)
Net Increase (Decrease) in Shares Outstanding	(8,299)	(3,256)

G. Management has determined that no events or transactions occurred subsequent to September 30, 2020, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Horizon Funds and Shareholders of Vanguard Strategic Small-Cap Equity Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Vanguard Strategic Small-Cap Equity Fund (one of the funds constituting Vanguard Horizon Funds, referred to hereafter as the "Fund") as of September 30, 2020, the related statement of operations for the year ended September 30, 2020, the statement of changes in net assets for each of the two years in the period ended September 30, 2020, including the related notes, and the financial highlights for each of the five years in the period ended September 30, 2020 (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, 2020, 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, 2020 and the financial highlights for each of the five years in the period ended September 30, 2020 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, 2020 by correspondence with the custodian 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 17, 2020

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

Special 2020 tax information (unaudited) for Vanguard Strategic Small-Cap Equity Fund

This information for the fiscal year ended September 30, 2020, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$41,793,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

The fund distributed \$13,725,000 of qualified dividend income to shareholders during the fiscal year.

The fund distributed \$3,126,000 of qualified business income to shareholders during the fiscal year.

For corporate shareholders, 79.2% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

The People Who Govern Your Fund

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

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 213 Vanguard funds.

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

Interested Trustee¹

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chairman of the board (2019–present) of Vanguard and of each of the investment companies served by Vanguard; chief executive officer (2018–present) of Vanguard; chief executive officer, president, and trustee (2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (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) and trustee (2009–2017) of the Children's Hospital of Philadelphia; and trustee (2018–present) and vice chair (2019–present) of The Shipley School.

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 Minett Professor at the Rochester Institute of Technology. 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.

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) and the Lumina Foundation. Director of the V Foundation. Member of the advisory

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

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 (retired June 2020) and vice president (retired June 2020) 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 (retired June 2020). Member of the board of Catholic Investment Services, Inc. (investment advisors) and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: board chair (2020–present), chief executive officer (2011–2020), and president (2010–2019) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of the individual life and disability division of Guardian Life. Member of the board of the American Council of Life Insurers and the board of the Economic Club of New York. Trustee of the Partnership for New York City (business leadership), Chief Executives for Corporate Purpose, NewYork-Presbyterian Hospital, Catalyst, 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 (private investment firm). Member of the board of advisors and member of the investment committee of the Museum of Fine Arts Boston. Member of the board (2018–present) of RIT Capital Partners (investment firm). Member of the investment committee of Partners Health Care System.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director (2017–present) of i(x) Investments, LLC; director (2017–present) of Reserve Trust. Rubenstein Fellow (2017–present) of Duke University; trustee (2017–present) of Amherst College, and trustee (2019–present) of the Folger Shakespeare Library.

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

John Bendl

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2019–present) of each of the investment companies served by Vanguard. Chief accounting officer, treasurer, and controller of Vanguard (2017–present). Partner (2003–2016) at KPMG (audit, tax, and advisory services).

Christine M. Buchanan

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

David Cermak

Born in 1960. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present) of each of the investment companies served by Vanguard. Managing director and head (2017–present) of Vanguard Investments Singapore. Managing director and head (2017–2019) of Vanguard Investments Hong Kong. Representative director and head (2014–2017) of Vanguard Investments Japan.

John Galloway

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (September 2020–present) of each of the investment companies served by Vanguard. Head of Investor Advocacy (February 2020–present) and head of Marketing Strategy and Planning (2017–2020) at Vanguard. Deputy assistant to the President of the United States (2015).

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present), chief financial officer (2008–2019), 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. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

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

John E. Schadt

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

Vanguard Senior Management Team

Joseph Brennan

Mortimer J. Buckley

Gregory Davis

John James

John T. Marcante

Chris D. McIsaac

James M. Norris

Thomas M. Rampulla

Karin A. Risi

Anne E. Robinson

Michael Rollings

Lauren Valente



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

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

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