

**Annual Report** | September 30, 2022

# Vanguard Strategic Small-Cap Equity Fund

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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 -16.24% for the 12 months ended September 30, 2022. The fund outperformed its benchmark index, which returned -21.02%.
- The 12 months were a challenging period for stocks. Inflation soared to multidecade highs, fueled in part by higher energy and food prices after Russia's invasion of Ukraine. Then, price increases broadened to other categories of goods and services, adding to concerns that inflation would remain stubbornly high. That prompted aggressive tightening by the Federal Reserve to bring inflation back in check and increased fears of a recession.
- Large-capitalization stocks held up better than mid- and small-caps, and value stocks returned more than growth stocks.
- Information technology, industrials, consumer discretionary, energy, and health care were the top sector contributors to performance. Utilities and financials detracted.
- For the 10 years ended September 30, 2022, the fund posted an average annual return of 9.71%. That was higher than the benchmark's return of 9.52%.

### Market Barometer

	Average Annual Total Returns Periods Ended September 30, 2022		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	-17.22%	7.95%	9.00%
Russell 2000 Index (Small-caps)	-23.50	4.29	3.55
Russell 3000 Index (Broad U.S. market)	-17.63	7.70	8.62
FTSE All-World ex US Index (International)	-24.76	-0.95	-0.38
<b>Bonds</b>			
Bloomberg U.S. Aggregate Float Adjusted Index (Broad taxable market)	-14.61%	-3.22%	-0.23%
Bloomberg Municipal Bond Index (Broad tax-exempt market)	-11.50	-1.85	0.59
FTSE Three-Month U.S. Treasury Bill Index	0.63	0.57	1.12
<b>CPI</b>			
Consumer Price Index	8.20%	4.95%	3.76%

# Advisor's Report

For the 12 months ended September 30, 2022, Vanguard Strategic Small-Cap Equity Fund returned -16.24%. The fund held up better than its benchmark, the MSCI US Small Cap 1750 Index, which returned -21.02%.

## Investment environment

The 12 months ended September 30 were a difficult period for financial markets. Early on, pent-up demand helped spur global growth and push unemployment rates down. The economic backdrop deteriorated, however, as inflation soared to multidecade highs, fueled in part by higher energy and food prices that followed Russia's invasion of Ukraine. Price increases spread to other categories of goods and services, adding to concerns that inflation would remain stubbornly high. The Federal Reserve undertook aggressive tightening to bring inflation back in check and fears of a recession increased.

The Russell 3000 Index, a benchmark for the entire U.S. stock market, returned -17.63% for the period.

Large-capitalization stocks held up better than mid- and small-caps. Value stocks outperformed growth stocks. Stocks outside the United States returned -24.76%, as measured by the FTSE All-World ex US Index.

## 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 several key characteristics, including high quality—healthy balance sheets and steady cash-flow generation; effective management decisions—sound investment policies that favor internal over external funding; consistent earnings growth—the ability to grow earnings year after year; strong market sentiment—market confirmation of our view; reasonable valuation—we strive to avoid overpriced stocks; and defensive characteristics—we evaluate heavily shorted stocks, which can signal concerns about future company prospects.

Using these six 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.

## Our successes and shortfalls

During the period, the market rewarded our approach that favors companies with consistent earnings growth at attractive valuations. Our valuation, defensive, market sentiment, growth, and quality submodels added positively to performance while our management decisions submodel was neutral.

Nine of the fund's 11 industry sectors contributed positively on a relative basis. Information technology did the best,

primarily because of strong selection in semiconductor and semiconductor equipment companies. Industrials, consumer discretionary, health care, and energy also added significantly to performance. Utilities and financials were the only two sectors that detracted.

The portfolio benefited from overweights to APA and PBF Energy in energy, Deciphera Pharmaceuticals in health care, Super Micro Computer in information technology, and Mueller Industries in industrials. The greatest shortfalls came from an underweight to EQT in energy as well as overweights to 8x8 and Domo in information technology, Precision BioSciences in health care, and WW International in consumer discretionary.

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.

Cesar Orosco, CFA, Ph.D., Head of Alpha Equity Investments, and Portfolio Manager

Vanguard Quantitative Equity Group

October 12, 2022

## 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, 2022

Strategic Small-Cap Equity Fund	Beginning Account Value 3/31/2022	Ending Account Value 9/30/2022	Expenses Paid During Period
Based on Actual Fund Return	\$1,000.00	\$813.70	\$1.18
Based on Hypothetical 5% Yearly Return	1,000.00	1,023.77	1.32

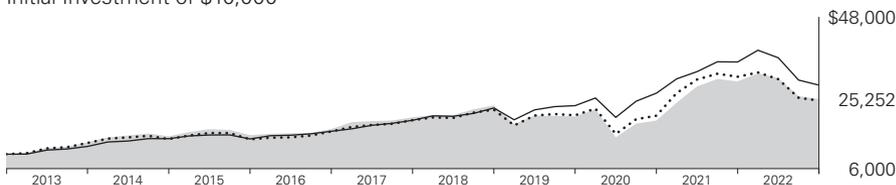
The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratio for that period is 0.26%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied 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 (183/365).

# 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](http://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, 2012, Through September 30, 2022  
Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended September 30, 2022			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
Strategic Small-Cap Equity Fund	-16.24%	4.54%	9.71%	\$25,252
MSCI US Small Cap 1750 Index	-21.02	5.06	9.52	24,835
Dow Jones U.S. Total Stock Market Float Adjusted Index	-18.05	8.48	11.28	29,120

See Financial Highlights for dividend and capital gains information.

## Fund Allocation

As of September 30, 2022

Communication Services	2.7%
Consumer Discretionary	11.7
Consumer Staples	3.9
Energy	5.3
Financials	17.2
Health Care	14.9
Industrials	16.9
Information Technology	12.5
Materials	5.0
Real Estate	6.8
Utilities	3.1

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.

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, 2022

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](http://www.sec.gov).

	Shares	Market Value* (\$'000)		Shares	Market Value* (\$'000)
<b>Common Stocks (99.6%)</b>					
<b>Communication Services (2.6%)</b>					
* Yelp Inc. Class A	223,289	7,572			
* Iridium Communications Inc.	111,059	4,928			
* Consolidated Communications Holdings Inc.	656,508	2,731			
Nexstar Media Group Inc. Class A	16,176	2,699			
* Clear Channel Outdoor Holdings Inc.	1,876,856	2,571			
Cogent Communications Holdings Inc.	36,410	1,899			
New York Times Co. Class A	56,494	1,624			
* Altice USA Inc. Class A	267,927	1,562			
* WideOpenWest Inc.	116,295	1,427			
* PubMatic Inc. Class A	63,612	1,058			
TripAdvisor Inc.	41,974	927			
ZipRecruiter Inc. Class A	56,171	927			
* Endeavor Group Holdings Inc. Class A	41,116	833			
Madison Square Garden Sports Corp.	4,701	642			
Sinclair Broadcast Group Inc. Class A	11,864	215			
		<b>31,615</b>			
<b>Consumer Discretionary (11.6%)</b>					
Boyd Gaming Corp.	146,862	6,998			
* Skyline Champion Corp.	119,760	6,332			
Buckle Inc.	188,455	5,966			
* Tri Pointe Homes Inc.	384,528	5,810			
* AutoNation Inc.	53,403	5,440			
* Perdoceo Education Corp.	486,667	5,013			
Oxford Industries Inc.	52,180	4,685			
* Capri Holdings Ltd.	115,608	4,444			
Brunswick Corp.	67,140	4,394			
Texas Roadhouse Inc. Class A	45,150	3,940			
* American Axle & Manufacturing Holdings Inc.	564,702	3,857			
Patrick Industries Inc.	85,238	3,737			
Signet Jewelers Ltd.	64,101	3,666			
Harley-Davidson Inc.	99,418	3,468			
* Cavco Industries Inc.	16,351	3,364			
Taylor Morrison Home Corp. Class A	136,916	3,193			
Marriott Vacations Worldwide Corp.	25,340	3,088			
Movado Group Inc.	100,530	2,833			
Toll Brothers Inc.	66,944	2,812			
* SeaWorld Entertainment Inc.	57,673	2,625			
Travel + Leisure Co.	71,903	2,453			
* Playa Hotels & Resorts NV	400,218	2,329			
* Stride Inc.	53,432	2,246			
Group 1 Automotive Inc.	15,609	2,230			
Murphy USA Inc.	7,887	2,168			
Carrige Services Inc. Class A	64,776	2,083			
Macy's Inc.	131,569	2,062			
Ruth's Hospitality Group Inc.	114,107	1,924			
Academy Sports & Outdoors Inc.	45,347	1,913			
* VVV International Inc.	470,554	1,849			
Caleres Inc.	73,239	1,774			
* Six Flags Entertainment Corp.	90,102	1,595			
Hibbett Inc.	31,943	1,591			
* Everi Holdings Inc.	95,563	1,550			
Churchill Downs Inc.	8,390	1,545			
H&R Block Inc.	35,130	1,494			
Winnebago Industries Inc.	25,662	1,365			
* MarineMax Inc.	45,051	1,342			
Shutterstock Inc.	26,594	1,334			
* Master Craft Boat Holdings Inc.	66,848	1,260			
* RealReal Inc.	729,438	1,094			
* 2U Inc.	172,983	1,081			
* Dorman Products Inc.	13,135	1,079			
* Modine Manufacturing Co.	69,882	904			
* Liquidity Services Inc.	45,586	741			
* Scientific Games Corp. Class A	15,700	673			
* Vivint Smart Home Inc.	102,231	673			
Chegg Inc.	31,396	662			
Thor Industries Inc.	9,345	654			
Aaron's Co. Inc.	64,553	627			
* Goodyear Tire & Rubber Co.	60,678	612			
Steven Madden Ltd.	22,309	595			
* Beazer Homes USA Inc.	57,920	560			
PVH Corp.	12,471	559			
* Duluth Holdings Inc. Class B	77,588	546			
* Meritage Homes Corp.	7,385	519			

**Strategic Small-Cap Equity Fund**

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Shoe Carnival Inc.	22,633	485	Viper Energy Partners LP	42,034	1,205
* ODP Corp.	13,758	484	* NextTier Oilfield Solutions Inc.	160,277	1,186
* Malibu Boats Inc. Class A	9,724	467	Weatherford International plc	36,287	1,172
Wendy's Co.	23,264	435	* Kosmos Energy Ltd.	216,851	1,121
* Golden Entertainment Inc.	11,931	416	* Comstock Resources Inc.	63,280	1,094
* Quotient Technology Inc.	156,903	362	* Callon Petroleum Co.	17,078	598
Stitch Fix Inc. Class A	86,607	342	PDC Energy Inc.	9,887	571
* Deckers Outdoor Corp.	939	294	* Gulfport Energy Corp.	4,996	441
* Asbury Automotive Group Inc.	1,930	292	Targa Resources Corp.	5,504	332
Standard Motor Products Inc.	8,768	285	* REX American Resources Corp.	10,654	298
* Sportsman's Warehouse Holdings Inc.	32,571	270	Permian resources Corp.	34,113	232
* Genesco Inc.	6,658	262			<b>63,182</b>
* Chuy's Holdings Inc.	10,834	251	<b>Financials (17.1%)</b>		
* M/I Homes Inc.	6,755	245	Hancock Whitney Corp.	187,441	8,587
Williams-Sonoma Inc.	1,852	218	MGIC Investment Corp.	666,073	8,539
* Fox Factory Holding Corp.	2,581	204	International Bancshares Corp.	187,620	7,974
		<b>138,663</b>	Synovus Financial Corp.	211,708	7,941
<b>Consumer Staples (3.9%)</b>			Radian Group Inc.	395,906	7,637
Ingles Markets Inc. Class A	89,567	7,095	Axis Capital Holdings Ltd.	153,441	7,542
* Darling Ingredients Inc.	88,004	5,821	Essent Group Ltd.	210,344	7,335
* Pilgrim's Pride Corp.	212,760	4,898	Affiliated Managers Group Inc.	65,244	7,298
Coca-Cola Consolidated Inc.	10,710	4,410	OFG Bancorp	289,997	7,288
John B Sanfilippo & Son Inc.	46,981	3,558	Stifel Financial Corp.	137,619	7,144
Cal-Maine Foods Inc.	59,335	3,298	SouthState Corp.	88,805	7,026
* BJ's Wholesale Club Holdings Inc.	44,601	3,247	CNO Financial Group Inc.	389,480	6,999
* Herbalife Nutrition Ltd.	150,087	2,985	Stewart Information Services Corp.	138,541	6,046
elf Beauty Inc.	72,150	2,714	* Unum Group	153,016	5,937
* Coty Inc. Class A	290,163	1,834	FNB Corp.	508,148	5,895
* Central Garden & Pet Co. Class A	38,177	1,304	SLM Corp.	402,801	5,635
Vector Group Ltd.	136,709	1,204	* LendingClub Corp.	495,042	5,470
* USANA Health Sciences Inc.	20,241	1,135	Hope Bancorp Inc.	409,990	5,182
Medifast Inc.	8,164	885	PacWest Bancorp	226,699	5,123
* United Natural Foods Inc.	18,628	640	Evercore Inc. Class A	61,955	5,096
Flowers Foods Inc.	25,657	634	Popular Inc.	69,229	4,989
Energizer Holdings Inc.	17,593	442	* Enstar Group Ltd.	22,008	3,732
Turning Point Brands Inc.	20,647	438	Pacific Premier Bancorp Inc.	116,946	3,621
		<b>46,542</b>	Navient Corp.	234,963	3,452
<b>Energy (5.3%)</b>			Virtu Financial Inc. Class A	162,146	3,368
SM Energy Co.	178,518	6,714	Banner Corp.	54,951	3,246
APA Corp.	175,352	5,995	UMB Financial Corp.	34,175	2,881
* Talos Energy Inc.	262,368	4,368	Central Pacific Financial Corp.	130,084	2,691
* PBF Energy Inc. Class A	122,822	4,318	* Genworth Financial Inc. Class A	754,431	2,640
* Southwestern Energy Co.	695,546	4,257	Towne Bank	95,111	2,552
* Delek US Holdings Inc.	123,182	3,343	Western Alliance Bancorp	38,660	2,541
* W&T Offshore Inc.	518,708	3,040	BGC Partners Inc. Class A	671,826	2,110
* Liberty Energy Inc. Class A	210,746	2,672	OneMain Holdings Inc.	71,036	2,097
* Nabors Industries Ltd. (XNYS)	24,872	2,523	First Financial Corp.	43,079	1,947
* US Silica Holdings Inc.	226,749	2,483	First BanCorp. (XNYS)	141,698	1,938
* Antero Resources Corp.	77,593	2,369	First Financial Bancorp	83,775	1,766
Marathon Oil Corp.	96,753	2,185	Atlantic Union Bankshares Corp.	50,423	1,532
* Denbury Inc.	23,905	2,062	Nelnet Inc. Class A	18,869	1,494
Plains GP Holdings LP Class A	145,723	1,590	S&T Bancorp Inc.	47,642	1,396
* Range Resources Corp.	60,888	1,538	ProAssurance Corp.	71,448	1,394
Murphy Oil Corp.	43,277	1,522	Kinsale Capital Group Inc.	5,253	1,342
* Par Pacific Holdings Inc.	83,554	1,371	BrightSphere Investment Group Inc.	88,208	1,315
* ProPetro Holding Corp.	169,160	1,362	Byline Bancorp Inc.	57,998	1,174
CVR Energy Inc.	42,084	1,220			

**Strategic Small-Cap Equity Fund**

	Shares	Market Value* (\$'000)		Shares	Market Value* (\$'000)
Hanmi Financial Corp.	41,735	988	* ACADIA Pharmaceuticals Inc.	131,484	2,151
First Bancorp (XNGS)	24,509	897	Mirati Therapeutics Inc.	29,201	2,039
Green Dot Corp. Class A	46,317	879	* Seres Therapeutics Inc.	317,071	2,036
* Focus Financial Partners Inc. Class A	24,286	765	* Inspire Medical Systems Inc.	10,934	1,939
* SilverGate Capital Corp. Class A	10,042	757	* Avanos Medical Inc.	88,010	1,917
Heartland Financial USA Inc.	16,785	728	* Intercept Pharmaceuticals Inc.	135,986	1,897
* Palomar Holdings Inc.	8,531	714	* Protagonist Therapeutics Inc.	221,288	1,865
Horizon Bancorp Inc.	37,894	681	* 2seventy bio Inc.	12,7718	1,858
Columbia Banking System Inc.	23,188	670	* TG Therapeutics Inc.	290,197	1,718
* NMI Holdings Inc. Class A	32,757	667	Haemonetics Corp.	22,530	1,668
Northfield Bancorp Inc.	42,615	610	* Glaukos Corp.	30,767	1,638
* Brighthouse Financial Inc.	13,412	582	* Apellis Pharmaceuticals Inc.	23,158	1,582
Virtus Investment Partners Inc.	3,380	539	* Option Care Health Inc.	47,267	1,487
Associated Banc-Corp.	25,974	522	* ViewRay Inc.	399,166	1,453
Westamerica Bancorp.	8,825	461	* Zymeworks Inc.	235,498	1,448
Provident Financial Services Inc.	23,598	460	* Pediatrix Medical Group Inc.	83,133	1,373
Origin Bancorp Inc.	10,913	420	* Inogen Inc.	56,304	1,367
* Blucora Inc.	19,939	386	* Nektar Therapeutics Class A	420,714	1,346
Compass Diversified Holdings	21,387	386	* Coherus Biosciences Inc.	132,580	1,274
Veritex Holdings Inc.	9,631	256	* ImmunoGen Inc.	251,406	1,202
United Fire Group Inc.	8,788	252	* Cerus Corp.	299,727	1,079
Sculptor Capital Management Inc. Class A	23,774	210	Natera Inc.	24,465	1,072
Brookline Bancorp Inc.	17,711	206	Rigel Pharmaceuticals Inc.	859,824	1,015
		<b>203,948</b>	* MacroGenics Inc.	277,893	961
<b>Health Care (14.9%)</b>			* Embecta Corp.	32,147	925
* AMN Healthcare Services Inc.	79,970	8,474	Cytokinetics Inc.	18,764	909
* Medpace Holdings Inc.	47,481	7,463	* Zimvie Inc.	84,064	830
* Ionis Pharmaceuticals Inc.	167,433	7,406	* CytomX Therapeutics Inc.	555,119	805
* Shockwave Medical Inc.	23,785	6,614	Arrowhead Pharmaceuticals Inc.	22,844	755
* Alkermes plc	281,972	6,296	* Myovant Sciences Ltd.	39,950	717
* Bruker Corp.	110,512	5,864	* Novavax Inc.	38,943	709
* Sarepta Therapeutics Inc.	51,403	5,682	* Arcturus Therapeutics Holdings Inc.	47,122	698
* CorVel Corp.	39,467	5,463	* AngioDynamics Inc.	32,761	670
* Deciphera Pharmaceuticals Inc.	282,164	5,220	* Computer Programs and Systems Inc.	23,856	665
* Merit Medical Systems Inc.	91,837	5,190	* Precision BioSciences Inc.	500,660	651
* Tenet Healthcare Corp.	99,617	5,138	* HealthStream Inc.	29,198	621
* Allscripts Healthcare Solutions Inc.	336,133	5,119	* Atea Pharmaceuticals Inc.	98,040	558
* NextGen Healthcare Inc.	259,221	4,588	* Enhabit Inc.	39,529	555
* STAAR Surgical Co.	64,680	4,563	* Puma Biotechnology Inc.	227,827	540
* FibroGen Inc.	315,085	4,099	* Editas Medicine Inc. Class A	43,327	530
* Sangamo Therapeutics Inc.	766,975	3,758	US Physical Therapy Inc.	6,667	507
* Integra LifeSciences Holdings Corp.	82,043	3,475	* Voyager Therapeutics Inc.	79,308	469
* Agenus Inc.	1,567,440	3,213	GoodRx Holdings Inc. Class A	97,555	456
* Evolent Health Inc. Class A	86,656	3,114	* MiMedx Group Inc.	157,072	451
* Atara Biotherapeutics Inc.	805,065	3,043	Ensign Group Inc.	5,410	430
* Veeva Systems Inc. Class A	18,165	2,995	* Clovis Oncology Inc.	347,610	414
* PTC Therapeutics Inc.	53,771	2,699	* Morphic Holding Inc.	14,364	406
* Lantheus Holdings Inc.	37,165	2,614	* Alignment Healthcare Inc.	31,934	378
* NuVasive Inc.	59,496	2,606	Chemed Corp.	850	371
* Health Catalyst Inc.	254,711	2,471	* Assembly Biosciences Inc.	212,676	349
* Nevro Corp.	51,309	2,391	Joint Corp.	22,122	348
* Charles River Laboratories International Inc.	11,019	2,169	* Addus HomeCare Corp.	3,517	335
			Heron Therapeutics Inc.	70,249	296
			* Tandem Diabetes Care Inc.	6,135	294
			* Cross Country Healthcare Inc.	9,862	280

## Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
* Orthofix Medical Inc.	13,284	254	* Saia Inc.	7,165	1,361
* Odonate Therapeutics Inc.	161,720	243	* SkyWest Inc.	79,606	1,294
* Minerva Neurosciences Inc.	25,660	237	AECOM	18,816	1,286
* Alector Inc.	23,850	226	Genco Shipping & Trading Ltd.	100,380	1,258
* WaVe Life Sciences Ltd.	48,932	177	* Apogee Enterprises Inc.	32,175	1,230
* Pennant Group Inc.	16,426	171	* Masonite International Corp.	17,107	1,220
* Akebia Therapeutics Inc.	331,679	105	* Heritage-Crystal Clean Inc.	40,527	1,198
* GlycoMimetics Inc.	177,063	98	Air Lease Corp. Class A	35,742	1,108
* Molecular Templates Inc.	104,179	78	Esab Corp.	32,070	1,070
* Aligos Therapeutics Inc.	69,638	77	Primoris Services Corp.	63,139	1,026
* Spectrum Pharmaceuticals Inc.	134,742	58	* Veritiv Corp.	9,018	882
* Acorda Therapeutics Inc.	38,060	11	* Sterling Infrastructure Inc.	40,643	873
		<b>177,769</b>	Standex International Corp.	9,654	788
<b>Industrials (16.9%)</b>			Moog Inc. Class A	11,149	784
* Clean Harbors Inc.	85,821	9,439	*1 ESS Tech Inc.	179,310	733
EMCOR Group Inc.	79,351	9,164	* DXP Enterprises Inc.	27,688	656
Allison Transmission Holdings Inc.	235,178	7,940	* Hireright Holdings Corp.	42,602	650
nVent Electric plc	247,073	7,810	* Triumph Group Inc.	74,087	636
* Univar Solutions Inc.	323,609	7,359	Argan Inc.	17,378	559
UFP Industries Inc.	96,509	6,964	* Daseke Inc.	100,188	542
* Titan Machinery Inc.	232,456	6,569	* SP Plus Corp.	15,848	496
Kforce Inc.	110,758	6,496	* First Advantage Corp.	38,071	489
Rush Enterprises Inc. Class A	135,124	5,927	*1 Heligen Inc.	240,162	447
Korn Ferry	125,825	5,908	ArcBest Corp.	5,524	402
Ryder System Inc.	75,668	5,712	Trinity Industries Inc.	18,754	400
ManpowerGroup Inc.	84,498	5,466	Interface Inc. Class A	41,285	371
Atkore Inc.	70,234	5,465	Wabash National Corp.	23,145	360
Acuity Brands Inc.	33,545	5,282	* Enovix Corp.	19,552	359
Applied Industrial Technologies Inc.	51,178	5,260	*1 Astra Space Inc.	547,034	334
* GMS Inc.	122,203	4,889	Tetra Tech Inc.	2,176	280
Ennis Inc.	238,271	4,796	* Thermon Group Holdings Inc.	17,296	267
Triton International Ltd.	85,737	4,692	Global Industrial Co.	9,583	257
Terex Corp.	145,933	4,340	Douglas Dynamics Inc.	8,868	249
Mueller Industries Inc.	67,983	4,041	* ASGN Inc.	2,760	249
AGCO Corp.	36,960	3,554	Kelly Services Inc. Class A	17,739	241
* NOW Inc.	352,737	3,545	Quanex Building Products Corp.	12,879	234
Heidrick & Struggles International Inc.	135,757	3,528	* Quad/Graphics Inc.	25,111	64
* Hub Group Inc. Class A	49,528	3,416			<b>201,513</b>
Watts Water Technologies Inc. Class A	25,140	3,161	<b>Information Technology (12.5%)</b>		
Boise Cascade Co.	49,079	2,918	* Manhattan Associates Inc.	78,836	10,487
Matson Inc.	46,696	2,873	Jabil Inc.	174,526	10,072
Encore Wire Corp.	24,764	2,861	* Nutanix Inc. Class A	435,927	9,080
Valmont Industries Inc.	9,772	2,625	* Cirrus Logic Inc.	107,532	7,398
Advanced Drainage Systems Inc.	20,501	2,550	* CommScope Holding Co. Inc.	735,491	6,774
GraffTech International Ltd.	553,721	2,387	* Extreme Networks Inc.	434,179	5,675
Spirit AeroSystems Holdings Inc. Class A	105,687	2,317	* Box Inc. Class A	215,206	5,249
* MRC Global Inc.	293,108	2,107	* ExlService Holdings Inc.	35,137	5,178
H&E Equipment Services Inc.	72,075	2,043	* Pure Storage Inc. Class A	181,966	4,980
* TrueBlue Inc.	103,941	1,983	* Domo Inc. Class B	268,370	4,828
Resources Connection Inc.	108,699	1,964	* CommVault Systems Inc.	89,438	4,744
WillScot Mobile Mini Holdings Corp.	41,442	1,671	* Super Micro Computer Inc.	79,643	4,386
* Sunrun Inc.	60,453	1,668	* Diodes Inc.	65,205	4,232
Marten Transport Ltd.	85,052	1,630	* MaxLinear Inc.	127,132	4,147
Insteel Industries Inc.	61,013	1,619	* Everbridge Inc.	112,650	3,479
AZZ Inc.	40,143	1,466	* 8x8 Inc.	1,004,661	3,466
* Forrester Research Inc.	40,415	1,455	* Kyndryl Holdings Inc.	407,843	3,373
			* Axcelis Technologies Inc.	54,831	3,321
			* Sanmina Corp.	69,002	3,180
			* Fabrinet	32,738	3,125
			* International Money Express Inc.	134,531	3,066
			* Yext Inc.	626,722	2,795

**Strategic Small-Cap Equity Fund**

	Shares	Market Value* (\$'000)		Shares	Market Value* (\$'000)
* Agilysys Inc.	42,570	2,356	Arconic Corp.	51,364	875
Amkor Technology Inc.	134,290	2,290	Ryerson Holding Corp.	31,199	803
Concentrix Corp.	20,118	2,246	Louisiana-Pacific Corp.	13,906	712
Avnet Inc.	56,636	2,046	* TimkenSteel Corp.	41,194	618
* Teradata Corp.	58,901	1,829	Kronos Worldwide Inc.	50,798	474
* Arlo Technologies Inc.	352,378	1,635	* LSB Industries Inc.	29,074	414
CSG Systems International Inc.	30,619	1,619	Hawkins Inc.	9,500	370
* Sumo Logic Inc.	203,902	1,529	Ingevity Corp.	5,584	339
* ScanSource Inc.	55,008	1,453	Koppers Holdings Inc.	14,707	306
* Upland Software Inc.	153,335	1,247	Sensient Technologies Corp.	3,444	239
* ePlus Inc.	28,579	1,187			<b>59,313</b>
* Lattice Semiconductor Corp.	22,283	1,096	<b>Real Estate (6.7%)</b>		
* KnowBe4 Inc. Class A	51,190	1,065	Outfront Media Inc.	421,548	6,403
* SMART Global Holdings Inc.	65,937	1,046	Highwoods Properties Inc.	229,436	6,186
* Tenable Holdings Inc.	27,554	959	Life Storage Inc.	49,393	5,471
* Magnachip Semiconductor Corp.	90,835	930	Brixmor Property Group Inc.	273,755	5,056
* Benefitfocus Inc.	145,175	922	* DiamondRock Hospitality Co.	647,638	4,864
AvidXchange Holdings Inc.	109,297	920	Essential Properties Realty Trust Inc.	241,617	4,699
A10 Networks Inc.	60,407	802	Piedmont Office Realty Trust Inc. Class A	415,325	4,386
* TTM Technologies Inc.	58,649	773	National Storage Affiliates Trust	90,575	3,766
Vishay Intertechnology Inc.	42,761	761	SITE Centers Corp.	334,124	3,578
* Aeva Technologies Inc.	383,803	718	American Assets Trust Inc.	132,311	3,403
* LivePerson Inc.	65,391	616	EPR Properties	83,785	3,005
* SecureWorks Corp. Class A	76,277	614	Getty Realty Corp.	110,994	2,985
* Brightcove Inc.	86,508	545	Apple Hospitality REIT Inc.	206,021	2,897
* Payoneer Global Inc.	62,245	377	Universal Health Realty Income Trust	63,853	2,759
Benchmark Electronics Inc.	14,821	367	Necessity Retail REIT Inc.	433,883	2,551
* Unisys Corp.	48,162	364	Rayonier Inc.	84,291	2,526
Hackett Group Inc.	19,696	349	* Summit Hotel Properties Inc.	287,262	1,930
Impinj Inc.	4,292	343	Xenia Hotels & Resorts Inc.	123,463	1,703
NCR Corp.	18,008	342	Park Hotels & Resorts Inc.	146,045	1,644
* Conduent Inc.	101,644	339	Paramount Group Inc.	234,552	1,461
* Embark Technology Inc.	44,893	334	Office Properties Income Trust	98,610	1,385
PC Connection Inc.	6,356	287	RLJ Lodging Trust	124,781	1,263
* Semtech Corp.	8,611	253	Brandywine Realty Trust	160,660	1,084
New Relic Inc.	4,338	249	RPT Realty	138,584	1,048
CTS Corp.	5,827	243	EastGroup Properties Inc.	6,672	963
* Squarespace Inc. Class A	11,304	241	One Liberty Properties Inc.	37,488	788
TTEC Holdings Inc.	5,210	231	Armada Hoffer Properties Inc.	51,813	538
* Synaptics Inc.	2,173	215	NexPoint Residential Trust Inc.	10,877	503
* ACI Worldwide Inc.	10,192	213	Gladstone Commercial Corp.	31,344	486
* OneSpan Inc.	22,612	195	Alexander's Inc.	1,669	349
		<b>149,181</b>	Urstadt Biddle Properties Inc. Class A	19,617	304
<b>Materials (5.0%)</b>			* Chatham Lodging Trust	26,089	258
Olin Corp.	142,021	6,090	Service Properties Trust	42,471	220
Chemours Co.	231,606	5,709			<b>80,462</b>
AdvanSix Inc.	167,321	5,371	<b>Utilities (3.1%)</b>		
Eagle Materials Inc.	42,707	4,577	National Fuel Gas Co.	144,374	8,886
SunCoke Energy Inc.	746,608	4,338	Otter Tail Corp.	120,571	7,417
Tronox Holdings plc Class A	343,491	4,208	Portland General Electric Co.	153,489	6,671
Warrior Met Coal Inc.	135,831	3,863	Hawaiian Electric Industries Inc.	172,477	5,978
Mercer International Inc.	262,118	3,224	Black Hills Corp.	44,555	3,018
Schnitzer Steel Industries Inc. Class A	101,561	2,890			
* O-I Glass Inc.	196,775	2,548			
Balchem Corp.	18,709	2,275			
Alcoa Corp.	49,983	1,682			
Innospec Inc.	18,466	1,582			
* Ecovyst Inc.	153,613	1,296			
Sylvamo Corp.	37,901	1,285			
Huntsman Corp.	49,907	1,225			
United States Steel Corp.	60,026	1,088			
Greif Inc. Class A	15,302	912			

## Strategic Small-Cap Equity Fund

	Shares	Market Value* (\$000)
Unitil Corp.	51,560	2,395
Chesapeake Utilities Corp.	13,755	1,587
ALLETE Inc.	9,503	476
		<u>36,428</u>
<b>Total Common Stocks</b> <b>(Cost \$1,286,237)</b>		<b>1,188,616</b>
<b>Temporary Cash Investments (0.6%)</b>		
<b>Money Market Fund (0.6%)</b>		
<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.828% (Cost \$7,367)	73,701	7,368
<b>Total Investments (100.2%)</b> <b>(Cost \$1,293,604)</b>		<b>1,195,984</b>
<b>Other Assets and Liabilities—Net (-0.2%)</b>		<b>(1,922)</b>
<b>Net Assets (100%)</b>		<b>1,194,062</b>

Cost is in \$000.

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

1 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$642,000.

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

3 Collateral of \$982,000 was received for securities on loan.  
REIT—Real Estate Investment Trust.

## Derivative Financial Instruments Outstanding as of Period End

### Futures Contracts

	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation) (\$000)
<b>Long Futures Contracts</b>				
E-mini Russell 2000 Index	December 2022	89	7,431	(623)

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

# Statement of Assets and Liabilities

As of September 30, 2022

(\$000s, except shares and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value <sup>1</sup>	
Unaffiliated Issuers (Cost \$1,286,237)	1,188,616
Affiliated Issuers (Cost \$7,367)	7,368
Total Investments in Securities	1,195,984
Investment in Vanguard	50
Cash Collateral Pledged—Futures Contracts	493
Receivables for Investment Securities Sold	33
Receivables for Accrued Income	834
Receivables for Capital Shares Issued	421
<b>Total Assets</b>	<b>1,197,815</b>
<b>Liabilities</b>	
Due to Custodian	20
Payables for Investment Securities Purchased	11
Collateral for Securities on Loan	982
Payables for Capital Shares Redeemed	2,552
Payables to Vanguard	133
Variation Margin Payable—Futures Contracts	55
<b>Total Liabilities</b>	<b>3,753</b>
<b>Net Assets</b>	<b>1,194,062</b>

<sup>1</sup> Includes \$642 of securities on loan.

At September 30, 2022, net assets consisted of:

Paid-in Capital	1,224,909
Total Distributable Earnings (Loss)	(30,847)
<b>Net Assets</b>	<b>1,194,062</b>

## Net Assets

Applicable to 39,231,972 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	1,194,062
<b>Net Asset Value Per Share</b>	<b>\$30.44</b>

## Statement of Operations

Year Ended  
September 30, 2022

	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends <sup>1</sup>	21,887
Interest <sup>2</sup>	52
Securities Lending—Net	90
Total Income	22,029
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	512
Management and Administrative	3,088
Marketing and Distribution	124
Custodian Fees	16
Auditing Fees	29
Shareholders' Reports	53
Trustees' Fees and Expenses	1
Other Expenses	14
Total Expenses	3,837
<b>Net Investment Income</b>	<b>18,192</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>2</sup>	103,689
Futures Contracts	(1,813)
<b>Realized Net Gain (Loss)</b>	<b>101,876</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>2</sup>	(350,533)
Futures Contracts	(500)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(351,033)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(230,965)</b>

1 Dividends are net of foreign withholding taxes of \$48,000.

2 Interest income, realized net gain (loss), capital gain distributions received, and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$49,000, \$1,000, less than \$1,000, and (\$1,000), respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Year Ended September 30,	
	2022 (\$000)	2021 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	18,192	15,711
Realized Net Gain (Loss)	101,876	313,510
Change in Unrealized Appreciation (Depreciation)	(351,033)	228,291
Net Increase (Decrease) in Net Assets Resulting from Operations	(230,965)	557,512
<b>Distributions</b>		
Total Distributions	(277,283)	(15,307)
<b>Capital Share Transactions</b>		
Issued	355,042	616,207
Issued in Lieu of Cash Distributions	246,930	13,795
Redeemed	(519,024)	(581,418)
Net Increase (Decrease) from Capital Share Transactions	82,948	48,584
Total Increase (Decrease)	(425,300)	590,789
<b>Net Assets</b>		
Beginning of Period	1,619,362	1,028,573
End of Period	1,194,062	1,619,362

## Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended September 30,				
	2022	2021	2020	2019	2018
<b>Net Asset Value, Beginning of Period</b>	<b>\$43.90</b>	<b>\$28.48</b>	<b>\$31.41</b>	<b>\$40.21</b>	<b>\$36.99</b>
<b>Investment Operations</b>					
Net Investment Income <sup>1</sup>	.462	.435	.392	.393	.373
Net Realized and Unrealized Gain (Loss) on Investments	(6.143)	15.424	(1.955)	(5.888)	5.294
Total from Investment Operations	(5.681)	15.859	(1.563)	(5.495)	5.667
<b>Distributions</b>					
Dividends from Net Investment Income	(.507)	(.439)	(.393)	(.378)	(.394)
Distributions from Realized Capital Gains	(7.272)	—	(.974)	(2.927)	(2.053)
Total Distributions	(7.779)	(.439)	(1.367)	(3.305)	(2.447)
<b>Net Asset Value, End of Period</b>	<b>\$30.44</b>	<b>\$43.90</b>	<b>\$28.48</b>	<b>\$31.41</b>	<b>\$40.21</b>
<b>Total Return<sup>2</sup></b>	<b>-16.24%</b>	<b>56.05%</b>	<b>-5.55%</b>	<b>-12.91%</b>	<b>16.13%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$1,194	\$1,619	\$1,029	\$1,395	\$1,917
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.26%	0.26%	0.29%
Ratio of Net Investment Income to Average Net Assets	1.24%	1.08%	1.35%	1.22%	0.99%
Portfolio Turnover Rate	72%	76%	66%	67%	88%

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. 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.

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 valuation designee to represent fair value and subject to oversight by the board of trustees. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the 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, 2022, the fund's average investments in long and short futures contracts represented 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 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.

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 \$4.4 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 year ended September 30, 2022, the fund did not utilize the credit facilities or the Interfund Lending Program.

7. 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. 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, 2022, the fund had contributed to Vanguard capital in the amount of \$50,000, 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.

At September 30, 2022, 100% of the market value of the fund's investments and derivatives was determined based on Level 1 inputs.

**D.** Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end,

## Strategic Small-Cap Equity Fund

permanent differences primarily attributable to the accounting for applicable passive foreign investment companies and distributions in connection with fund share redemptions were reclassified between the following accounts:

	Amount (\$000)
Paid-in Capital	17,284
Total Distributable Earnings (Loss)	(17,284)

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	9,303
Undistributed Long-Term Gains	76,418
Capital Loss Carryforwards	—
Qualified Late-Year Losses	(18,724)
Net Unrealized Gains (Losses)	(97,844)

The tax character of distributions paid was as follows:

	Year Ended September 30,	
	2022 Amount (\$000)	2021 Amount (\$000)
Ordinary Income*	64,350	15,307
Long-Term Capital Gains	212,933	—
Total	277,283	15,307

\* Includes short-term capital gains, if any.

As of September 30, 2022, 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	1,293,829
Gross Unrealized Appreciation	135,372
Gross Unrealized Depreciation	(233,216)
Net Unrealized Appreciation (Depreciation)	(97,844)

E. During the year ended September 30, 2022, the fund purchased \$1,040,203,000 of investment securities and sold \$1,211,790,000 of investment securities, other than temporary cash investments.

## Strategic Small-Cap Equity Fund

The fund purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its 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 year ended September 30, 2022, such purchases were \$166,000 and sales were \$13,916,000, resulting in net realized gain of \$2,876,000; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

### F. Capital shares issued and redeemed were:

	Year Ended September 30,	
	2022 Shares (000)	2021 Shares (000)
Issued	9,044	14,866
Issued in Lieu of Cash Distributions	6,602	389
Redeemed	(13,298)	(14,491)
Net Increase (Decrease) in Shares Outstanding	2,348	764

G. Management has determined that no events or transactions occurred subsequent to September 30, 2022, 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, 2022, the related statement of operations for the year ended September 30, 2022, the statement of changes in net assets for each of the two years in the period ended September 30, 2022, including the related notes, and the financial highlights for each of the five years in the period ended September 30, 2022 (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, 2022, 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, 2022 and the financial highlights for each of the five years in the period ended September 30, 2022 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, 2022 by correspondence with the custodian, transfer agent and brokers; 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, 2022

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

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**Tax information (unaudited)**

For corporate shareholders, 71.6%, or if subsequently determined to be different, the maximum percentage allowable by law, of ordinary income (dividend income plus short-term gains, if any) for the fiscal year qualified for the dividends-received deduction.

The fund hereby designates \$17,057,000, or if subsequently determined to be different, the maximum amount allowable by law, as qualified dividend income for individual shareholders for the fiscal year.

For nonresident alien shareholders, 100% of short-term capital gain dividends distributed by the fund for the fiscal year are qualified short-term capital gains.

The fund distributed \$228,390,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

The fund hereby designates \$1,023,000, or if subsequently determined to be different, the maximum amount allowable by law, of qualified business income for individual shareholders for the fiscal year.

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# The People Who Govern Your Fund

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

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 206 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](http://vanguard.com).

## Interested Trustee<sup>1</sup>

### 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. Member of the board of governors of the Investment Company Institute and the board of governors of FINRA. Trustee and vice chair of The Shipley School.

of Santa Clara University's Leavey School of Business (2018–present).

### 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. Member of the board of directors of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, Roberts Wesleyan College, and the Rochester Philharmonic Orchestra. Trustee of the University of Rochester.

## Independent Trustees

### Tara Bunch

Born in 1962. Trustee since November 2021. Principal occupation(s) during the past five years and other experience: head of global operations at Airbnb (2020–present). Vice president of AppleCare (2012–2020). Member of the board of directors of Out & Equal (2002–2006), the advisory board of the University of California, Berkeley School of Engineering (2020–present), and the advisory board

### 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). Director of the V Foundation. Member of the advisory council for the College of

<sup>1</sup> 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.

Arts and Letters at the University of Notre Dame. Chairman of the board of Saint Anselm College.

#### **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: adjunct professor of finance at the University of Notre Dame (2020–present). Chief investment officer (retired 2020) and vice president (retired 2020) of the University of Notre Dame. Assistant professor (retired June 2020) of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of superintendence of the Institute for the Works of Religion, and the board of directors of Paxos Trust Company (finance).

#### **Deanna Mulligan**

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer of Purposeful (advisory firm for CEOs and C-level executives; 2021–present). Board chair (2020), 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 Individual Life and Disability of the Guardian Life Insurance Company of America. Member of the board of the Economic Club of New York. Trustee of the Partnership for New York City (business leadership), Chief Executives for Corporate Purpose, and the NewYork-Presbyterian Hospital.

#### **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 (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. Colin W. Brown Distinguished Professor of the Practice of Law (2021–present), professor (2020–present), Distinguished Fellow of the Global Financial Markets Center (2020–present), and Rubenstein Fellow (2017–2020) at Duke University. Trustee (2017–present) of Amherst College and member of Amherst College Investment Committee (2019–present). Member of the Regenerative Crisis Response Committee (2020–present).

#### **David A. Thomas**

Born in 1956. Trustee since July 2021. Principal occupation(s) during the past five years and other experience: president of Morehouse College (2018–present). Professor of business administration, emeritus at Harvard University (2017–2018). Dean (2011–2016) and professor of management (2016–2017) at the Georgetown University McDonough School of Business. Director of DTE Energy Company (2013–present). Trustee of Common Fund (2019–present).

#### **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). Member of the BMW Group Mobility Council.

## Executive Officers

### Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2021–present) and treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG (audit, tax, and advisory services).

### 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. Special assistant to the President of the United States (2015).

### Ashley Grim

Born in 1984. Principal occupation(s) during the past five years and other experience: treasurer (February 2022–present) of each of the investment companies served by Vanguard. Fund transfer agent controller (2019–2022) and director of Audit Services (2017–2019) at Vanguard. Senior manager (2015–2017) at PriceWaterhouseCoopers (audit and assurance, consulting, and tax services).

### 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. Nonexecutive director of the board of National Grid (energy).

### 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

Matthew Benchener	Thomas M. Rampulla
Joseph Brennan	Karin A. Risi
Mortimer J. Buckley	Anne E. Robinson
Gregory Davis	Michael Rollings
John James	Nitin Tandon
Chris D. McIsaac	Lauren Valente



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

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting [vanguard.com/proxyreporting](https://www.vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [www.sec.gov](https://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](https://www.vanguard.com/proxyreporting) or [www.sec.gov](https://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](mailto:publicinfo@sec.gov).

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