

Semiannual Report | March 31, 2021

Vanguard Equity Income Fund

Contents

About Your Fund's Expenses. 1
Financial Statements. 4
Trustees Approve Advisory Arrangements. 19
Liquidity Risk Management. 21

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 March 31, 2021

Equity Income Fund	Beginning Account Value 9/30/2020	Ending Account Value 3/31/2021	Expenses Paid During Period
Based on Actual Fund Return			
Investor Shares	\$1,000.00	\$1,244.84	\$1.57
Admiral™ Shares	1,000.00	1,245.35	1.06
Based on Hypothetical 5% Yearly Return			
Investor Shares	\$1,000.00	\$1,023.54	\$1.41
Admiral Shares	1,000.00	1,023.98	0.96

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.28% for Investor Shares and 0.19% for Admiral Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (182/365).

Equity Income Fund

Fund Allocation

As of March 31, 2021

Communication Services	5.1%
Consumer Discretionary	5.4
Consumer Staples	14.1
Energy	5.6
Financials	21.1
Health Care	16.4
Industrials	10.5
Information Technology	10.0
Materials	3.2
Real Estate	1.0
Utilities	7.6

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 (unaudited)

Schedule of Investments

As of March 31, 2021

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 (96.7%)			Unilever plc ADR	5,339,078	298,081
Communication Services (4.9%)			Nestle SA ADR	2,177,500	242,813
Comcast Corp. Class A	18,892,860	1,022,293	Kellogg Co.	3,732,272	236,253
Verizon Communications Inc.	13,494,102	784,682	Altria Group Inc.	4,025,903	205,965
AT&T Inc.	6,029,086	182,500	General Mills Inc.	1,800,905	110,432
Lumen Technologies Inc.	7,272,127	97,083	Conagra Brands Inc.	2,280,380	85,742
Omnicom Group Inc.	1,227,505	91,020	Campbell Soup Co.	1,650,843	82,988
Interpublic Group of Cos. Inc.	1,981,074	57,847	Clorox Co.	368,666	71,108
		2,235,425	Tyson Foods Inc. Class A	834,939	62,036
Consumer Discretionary (5.2%)			Kraft Heinz Co.	1,122,531	44,901
Home Depot Inc.	2,567,620	783,766	Coca-Cola European Partners plc	590,332	30,792
McDonald's Corp.	2,157,548	483,593	Colgate-Palmolive Co.	292,565	23,063
Lowe's Cos. Inc.	1,458,125	277,306	Kroger Co.	599,976	21,593
VF Corp.	2,181,365	174,335	J M Smucker Co.	159,372	20,165
TJX Cos. Inc.	1,918,823	126,930	Hershey Co.	96,213	15,217
Best Buy Co. Inc.	960,761	110,305	Bunge Ltd.	181,465	14,385
Target Corp.	516,602	102,323	Nu Skin Enterprises Inc. Class A	186,307	9,854
H&R Block Inc.	3,999,200	87,183			6,190,575
Whirlpool Corp.	286,283	63,082	Energy (5.4%)		
Polaris Inc.	320,661	42,808	ConocoPhillips	8,375,132	443,631
Newell Brands Inc.	1,572,903	42,122	Pioneer Natural Resources Co.	2,430,797	386,059
Big Lots Inc.	602,601	41,158	Phillips 66	4,105,943	334,799
Williams-Sonoma Inc.	69,735	12,497	TC Energy Corp.	6,387,396	292,813
Foot Locker Inc.	132,591	7,458	Chevron Corp.	2,380,841	249,488
		2,354,866	Exxon Mobil Corp.	3,631,284	202,735
Consumer Staples (13.7%)			Kinder Morgan Inc.	7,474,048	124,443
Procter & Gamble Co.	8,995,852	1,218,308	Schlumberger Ltd.	3,822,599	103,936
Philip Morris International Inc.	8,621,648	765,085	Williams Cos. Inc.	3,277,895	77,653
PepsiCo Inc.	4,061,886	574,554	Halliburton Co.	3,618,466	77,652
Mondelez International Inc. Class A	9,619,588	563,034	Devon Energy Corp.	2,948,125	64,417
Coca-Cola Co.	8,904,741	469,369	Targa Resources Corp.	1,361,484	43,227
Kimberly-Clark Corp.	2,637,002	366,675	APA Corp.	972,830	17,414
Archer-Daniels-Midland Co.	6,195,318	353,133	Cimarex Energy Co.	277,505	16,481
Walmart Inc.	2,245,669	305,029			2,434,748

Equity Income Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Financials (20.4%)			Health Care (15.9%)		
JPMorgan Chase & Co.	10,658,387	1,622,526	Johnson & Johnson	11,021,436	1,811,373
Bank of America Corp.	32,985,380	1,276,204	Pfizer Inc.	22,486,226	814,676
MetLife Inc.	13,166,489	800,391	Eli Lilly and Co.	4,285,871	800,686
Morgan Stanley	8,558,917	664,686	Merck & Co. Inc.	8,530,607	657,625
BlackRock Inc.	758,663	572,002	UnitedHealth Group Inc.	1,543,828	574,412
Progressive Corp.	5,966,272	570,435	Becton Dickinson and Co.	1,696,700	412,553
Truist Financial Corp.	9,352,734	545,451	Medtronic plc	2,451,198	289,560
Chubb Ltd.	3,397,519	536,706	Anthem Inc.	796,400	285,868
Blackstone Group LP Class A	4,017,868	299,452	AstraZeneca plc ADR	4,510,246	224,249
PNC Financial Services Group Inc.	1,679,741	294,643	Roche Holding AG	673,569	218,198
Citigroup Inc.	3,824,041	278,199	Novartis AG	2,387,307	204,069
Wells Fargo & Co.	5,012,507	195,839	Baxter International Inc.	2,364,300	199,405
Travelers Cos. Inc.	852,103	128,156	Gilead Sciences Inc.	2,626,295	169,737
Fifth Third Bancorp	3,365,409	126,035	AbbVie Inc.	1,422,940	153,991
Aflac Inc.	2,458,136	125,807	Bristol-Myers Squibb Co.	1,833,447	115,746
Regions Financial Corp.	5,423,784	112,055	Cardinal Health Inc.	1,680,845	102,111
Citizens Financial Group Inc.	2,276,021	100,486	Amgen Inc.	385,000	95,792
Jefferies Financial Group Inc.	3,023,717	91,014	CVS Health Corp.	885,808	66,639
Unum Group	3,064,147	85,275			7,196,690
Virtu Financial Inc. Class A	2,448,709	76,032	Industrials (10.2%)		
Ally Financial Inc.	1,656,948	74,911	Lockheed Martin Corp.	1,829,830	676,122
First American Financial Corp.	1,182,871	67,010	Johnson Controls International plc	8,245,520	492,010
First Horizon Corp.	3,851,868	65,135	Raytheon Technologies Corp.	6,152,494	475,403
Synchrony Financial	1,571,128	63,882	Eaton Corp. plc	3,250,324	449,455
T. Rowe Price Group Inc.	332,804	57,109	Caterpillar Inc.	1,889,487	438,115
US Bancorp	1,018,410	56,328	General Dynamics Corp.	2,276,096	413,248
Prudential Financial Inc.	583,213	53,131	Union Pacific Corp.	1,600,465	352,759
Equitable Holdings Inc.	1,513,250	49,362	Honeywell International Inc.	918,351	199,346
KeyCorp	2,339,741	46,748	United Parcel Service Inc. Class B	940,670	159,905
PacWest Bancorp	983,679	37,527	Waste Management Inc.	1,090,420	140,686
Bank of New York Mellon Corp.	731,935	34,613	Illinois Tool Works Inc.	597,314	132,317
Huntington Bancshares Inc.	1,335,653	20,997	Cummins Inc.	494,841	128,218
MGIC Investment Corp.	1,318,952	18,268	3M Co.	614,948	118,488
New York Community Bancorp Inc.	1,325,377	16,726	Nielsen Holdings plc	4,014,850	100,973
OneMain Holdings Inc	251,877	13,531	Fastenal Co.	1,708,474	85,902
Prosperity Bancshares Inc.	174,107	13,039	Watsco Inc.	234,031	61,024
CME Group Inc.	62,905	12,847	MSC Industrial Direct Co. Inc. Class A	636,558	57,411
Invesco Ltd.	431,470	10,882	CH Robinson Worldwide Inc.	284,073	27,109
Fidelity National Financial Inc.	253,553	10,310	nVent Electric plc	832,566	23,237
M&T Bank Corp.	48,355	7,331	Hubbell Inc. Class B	113,401	21,194
			Triton International Ltd.	273,742	15,053
			Snap-on Inc.	49,008	11,308
			Timken Co.	134,748	10,938
			ABM Industries Inc.	60,964	3,110
		9,231,081			4,593,331

Equity Income Fund

	Shares	Market Value* (\$000)	Shares	Market Value* (\$000)	
Information Technology (9.6%)					
Cisco Systems Inc.	23,586,209	1,219,643	UGI Corp.	2,417,626	
Corning Inc.	11,155,027	485,355	Eergy Inc.	1,132,593	
TE Connectivity Ltd.	2,901,885	374,662	PPL Corp.	2,286,505	
Automatic Data Processing Inc.	1,857,143	350,016	WEC Energy Group Inc.	612,841	
Intel Corp.	4,751,251	304,080	CenterPoint Energy Inc.	2,265,371	
Analog Devices Inc.	1,807,938	280,375	FirstEnergy Corp.	1,413,468	
KLA Corp.	698,852	230,901	Public Service Enterprise Group Inc.	668,460	
QUALCOMM Inc.	1,740,797	230,812	IDACORP Inc.	305,529	
International Business Machines Corp.	1,668,603	222,358	NRG Energy Inc.	800,342	
Texas Instruments Inc.	1,116,204	210,952	CMS Energy Corp.	132,407	
HP Inc.	4,822,846	153,125	Vistra Corp.	241,171	
Broadcom Inc.	294,038	136,334			
Seagate Technology plc	1,433,812	110,045			
Western Union Co.	1,996,787	49,241			
		4,357,899		3,314,135	
Materials (3.1%)					
Celanese Corp. Class A	2,411,675	361,293	Total Common Stocks		
PPG Industries Inc.	1,987,527	298,646	(Cost \$31,250,164)		
Dow Inc.	1,842,405	117,803		43,756,463	
International Paper Co.	2,000,201	108,151	Temporary Cash Investments (3.2%)		
Linde plc	378,499	106,033	Money Market Fund (2.7%)		
Nucor Corp.	1,085,537	87,136	1,2 Vanguard Market		
Reliance Steel & Aluminum Co.	483,439	73,623	Liquidity Fund,		
Newmont Corp.	838,393	50,530	0.081%		
CF Industries Holdings Inc.	1,065,256	48,341	12,285,286	1,228,529	
Huntsman Corp.	1,242,717	35,827			Face Amount (\$000)
Steel Dynamics Inc.	638,105	32,390			
Westrock Co.	526,140	27,386			
Packaging Corp. of America	160,235	21,548			
Greif Inc. Class A	327,958	18,694			
		1,387,401			
Real Estate (1.0%)					
Crown Castle International Corp.	2,674,213	460,312	Repurchase Agreements (0.5%)		
Utilities (7.3%)					
Sempra Energy	3,857,303	511,401	Goldman Sachs & Co.		
Dominion Energy Inc.	5,646,664	428,921	0.010%, 4/1/21 (Dated		
Exelon Corp.	9,342,519	408,642	3/31/21, Repurchase		
Duke Energy Corp.	3,830,285	369,737	Value \$5,700,000,		
American Electric Power Co. Inc.	3,812,273	322,899	collateralized by		
Entergy Corp.	2,362,365	234,984	Government National		
DTE Energy Co.	1,386,425	184,589	Mortgage Assn. 2.540%–		
Southern Co.	2,134,853	132,702	6.500%, 12/15/24–		
AES Corp.	4,275,714	114,632	9/15/52, with a value of		
NextEra Energy Inc.	1,349,767	102,056	\$5,814,000)		
			5,700	5,700	
			Nomura International plc		
			0.010%, 4/1/21 (Dated		
			3/31/21, Repurchase		
			Value \$92,400,000,		
			collateralized by U.S.		
			Treasury Bill 0.000%–		
			3.375, 7/15/21–2/15/44		
			and U.S. Treasury Note/		
			Bond 0.125%–2.250%,		
			7/15/22–8/15/49, with a		
			value of \$94,248,000)		
			92,400	92,400	

Equity Income Fund

	Face Amount (\$000)	Market Value* (\$000)
RBS Securities, Inc. 0.005%, 4/1/21 (Dated 3/31/21, Repurchase Value \$125,800,000, collateralized by U.S. Treasury Note/Bond 1.250%, 3/31/28, with a value of \$128,316,000)	125,800	125,800
		<u>223,900</u>
U.S. Government and Agency Obligations (0.0%)		
United States Treasury Bill, 0.020%, 8/26/21	4,000	3,999
Total Temporary Cash Investments (Cost \$1,456,244)		<u>1,456,428</u>
Total Investments (99.9%) (Cost \$32,706,408)		<u>45,212,891</u>
Other Assets and Liabilities— Net (0.1%)		<u>55,383</u>
Net Assets (100%)		<u>45,268,274</u>

Cost is in \$000.

• See Note A in Notes to Financial Statements.

[^] Includes partial security positions on loan to broker-dealers.
The total value of securities on loan is \$141,976,000.

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.

² Collateral of \$147,411,000 was received for securities on loan.
ADR—American Depositary Receipt.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

			(\$000)	
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini S&P 500 Index	June 2021	6,781	1,345,147	9,626

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

Statement of Assets and Liabilities

As of March 31, 2021

(\$000s, except shares and per-share amounts)	Amount
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$31,478,063)	43,984,362
Affiliated Issuers (Cost \$1,228,345)	1,228,529
Total Investments in Securities	45,212,891
Investment in Vanguard	1,559
Cash	38
Cash Collateral Pledged—Futures Contracts	64,025
Receivables for Investment Securities Sold	3,439
Receivables for Accrued Income	78,742
Receivables for Capital Shares Issued	251,286
Variation Margin Receivable—Futures Contracts	5,602
Total Assets	45,617,582
Liabilities	
Payables for Investment Securities Purchased	127,642
Collateral for Securities on Loan	147,411
Payables to Investment Advisor	9,095
Payables for Capital Shares Redeemed	64,073
Payables to Vanguard	1,087
Total Liabilities	349,308
Net Assets	45,268,274

At March 31, 2021, net assets consisted of:

Paid-in Capital	31,397,741
Total Distributable Earnings (Loss)	13,870,533
Net Assets	45,268,274

Investor Shares—Net Assets

Applicable to 130,179,769 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	5,388,414
Net Asset Value Per Share—Investor Shares	\$41.39

Admiral Shares—Net Assets

Applicable to 459,753,860 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	39,879,860
Net Asset Value Per Share—Admiral Shares	\$86.74

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

Statement of Operations

Six Months Ended
March 31, 2021

	(\$000)
Investment Income	
Income	
Dividends ¹	613,362
Interest ²	380
Securities Lending—Net	72
Total Income	613,814
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	16,142
Performance Adjustment	2,510
The Vanguard Group—Note C	
Management and Administrative—Investor Shares	4,268
Management and Administrative—Admiral Shares	15,420
Marketing and Distribution—Investor Shares	211
Marketing and Distribution—Admiral Shares	825
Custodian Fees	117
Shareholders' Reports—Investor Shares	—
Shareholders' Reports—Admiral Shares	99
Trustees' Fees and Expenses	11
Total Expenses	39,603
Net Investment Income	574,211
Realized Net Gain (Loss)	
Investment Securities Sold ²	1,368,129
Futures Contracts	101,708
Foreign Currencies	(35)
Realized Net Gain (Loss)	1,469,802
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ²	6,669,767
Futures Contracts	6,167
Foreign Currencies	(377)
Change in Unrealized Appreciation (Depreciation)	6,675,557
Net Increase (Decrease) in Net Assets Resulting from Operations	8,719,570

1 Dividends are net of foreign withholding taxes of \$3,664,000.

2 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$321,000, \$45,000, and (\$46,000), respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended March 31, 2021	Year Ended September 30, 2020
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	574,211	1,056,659
Realized Net Gain (Loss)	1,469,802	9,842
Change in Unrealized Appreciation (Depreciation)	6,675,557	(2,277,728)
Net Increase (Decrease) in Net Assets Resulting from Operations	8,719,570	(1,211,227)
Distributions		
Investor Shares	(75,259)	(244,854)
Admiral Shares	(559,286)	(1,510,435)
Total Distributions	(634,545)	(1,755,289)
Capital Share Transactions		
Investor Shares	(87,619)	(565,450)
Admiral Shares	1,972,626	2,380,683
Net Increase (Decrease) from Capital Share Transactions	1,885,007	1,815,233
Total Increase (Decrease)	9,970,032	(1,151,283)
Net Assets		
Beginning of Period	35,298,242	36,449,525
End of Period	45,268,274	35,298,242

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

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended March 31,	Year Ended September 30,				
	2021	2020	2019	2018	2017	2016
Net Asset Value, Beginning of Period	\$33.75	\$36.51	\$37.98	\$35.64	\$31.69	\$28.78
Investment Operations						
Net Investment Income	.527 ¹	1.000 ¹	1.002 ¹	.965 ¹	.908 ¹	.909
Net Realized and Unrealized Gain (Loss) on Investments	7.695	(2.067)	.972	2.764	4.292	3.912
Total from Investment Operations	8.222	(1.067)	1.974	3.729	5.200	4.821
Distributions						
Dividends from Net Investment Income	(.521)	(1.034)	(.997)	(.943)	(.912)	(.895)
Distributions from Realized Capital Gains	(.061)	(.659)	(2.447)	(.446)	(.338)	(1.016)
Total Distributions	(.582)	(1.693)	(3.444)	(1.389)	(1.250)	(1.911)
Net Asset Value, End of Period	\$41.39	\$33.75	\$36.51	\$37.98	\$35.64	\$31.69
Total Return²	24.48%	-2.87%	6.43%	10.58%	16.68%	17.21%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$5,388	\$4,482	\$5,478	\$5,751	\$6,002	\$5,487
Ratio of Total Expenses to Average Net Assets ³	0.28%	0.28%	0.27%	0.27%	0.26%	0.26%
Ratio of Net Investment Income to Average Net Assets	2.81%	2.89%	2.84%	2.60%	2.70%	3.00%
Portfolio Turnover Rate	19%	35%	32%	37%	28%	26%

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

1 Calculated based on average shares outstanding.

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

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

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended March 31, 2021	Year Ended September 30,				
		2020	2019	2018	2017	2016
Net Asset Value, Beginning of Period	\$70.73	\$76.52	\$79.61	\$74.69	\$66.43	\$60.31
Investment Operations						
Net Investment Income	1.142 ¹	2.159 ¹	2.167 ¹	2.099 ¹	1.968 ¹	1.963
Net Realized and Unrealized Gain (Loss) on Investments	16.122	(4.331)	2.028	5.806	8.977	8.219
Total from Investment Operations	17.264	(2.172)	4.195	7.905	10.945	10.182
Distributions						
Dividends from Net Investment Income	(1.126)	(2.236)	(2.156)	(2.048)	(1.977)	(1.932)
Distributions from Realized Capital Gains	(.128)	(1.382)	(5.129)	(.937)	(.708)	(2.130)
Total Distributions	(1.254)	(3.618)	(7.285)	(2.985)	(2.685)	(4.062)
Net Asset Value, End of Period	\$86.74	\$70.73	\$76.52	\$79.61	\$74.69	\$66.43
Total Return²	24.53%	-2.77%	6.51%	10.70%	16.75%	17.35%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$39,880	\$30,816	\$30,972	\$27,625	\$23,373	\$18,115
Ratio of Total Expenses to Average Net Assets ³	0.19%	0.19%	0.18%	0.18%	0.17%	0.17%
Ratio of Net Investment Income to Average Net Assets	2.90%	2.98%	2.93%	2.69%	2.79%	3.09%
Portfolio Turnover Rate	19%	35%	32%	37%	28%	26%

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

¹ Calculated based on average shares outstanding.

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

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

Notes to Financial Statements

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

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

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

3. **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 six months ended March 31, 2021, the fund's average investments in long and short futures contracts represented 2% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

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

5. Federal Income Taxes: The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. 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.

6. 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.

7. Securities Lending: To earn additional income, the fund lends its securities to qualified institutional borrowers. Security loans are subject to termination by the fund at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The fund further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities

lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the fund may experience delays and costs in recovering the securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of 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.

8. 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 six months ended March 31, 2021, the fund did not utilize the credit facilities or the Interfund Lending Program.

9. Other: Dividend income is recorded on the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair value of the securities received. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt

securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

Taxes on foreign dividends and capital gains have been provided for in accordance with the fund's understanding of the applicable countries' tax rules and rates. Foreign capital gains tax, if any, is accrued daily based upon net unrealized gains. The fund has filed tax reclaims for previously withheld taxes on dividends earned in certain European Union countries. These filings are subject to various administrative and judicial proceedings within these countries. Such tax reclaims received during the year, if any, are included in dividend income. No other amounts for additional tax reclaims are reflected in the financial statements due to the uncertainty as to the ultimate resolution of proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment.

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

B. Wellington Management Company LLP provides investment advisory services to a portion of the fund for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee is subject to quarterly adjustments based on performance relative to the FTSE High Dividend Yield Index for the preceding three years.

Vanguard provides investment advisory services to a portion of the fund as described below; the fund paid Vanguard advisory fees of \$1,093,000 for the six months ended March 31, 2021.

For the six months ended March 31, 2021, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.08% of the fund's average net assets, before an increase of \$2,510,000 (0.01%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund 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 March 31, 2021, the fund had contributed to Vanguard capital in the amount of \$1,559,000, representing less than 0.01% of the fund's net assets and 0.62% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the fund's investments 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.

Equity Income Fund

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.

The following table summarizes the market value of the fund's investments and derivatives as of March 31, 2021, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
Investments				
Assets				
Common Stocks	43,334,196	422,267	—	43,756,463
Temporary Cash Investments	1,228,529	227,899	—	1,456,428
Total	44,562,725	650,166	—	45,212,891
Derivative Financial Instruments				
Assets				
Futures Contracts ¹	9,626	—	—	9,626

¹ Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Schedule of Investments.

E. As of March 31, 2021, 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	32,706,408
Gross Unrealized Appreciation	12,851,438
Gross Unrealized Depreciation	(335,329)
Net Unrealized Appreciation (Depreciation)	12,516,109

F. During the six months ended March 31, 2021, the fund purchased \$8,135,611,000 of investment securities and sold \$7,223,327,000 of investment securities, other than temporary cash investments.

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

	Six Months Ended March 31, 2021		Year Ended September 30, 2020	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	455,058	11,885	748,125	21,799
Issued in Lieu of Cash Distributions	68,933	1,778	224,894	6,622
Redeemed	(611,610)	(16,275)	(1,538,469)	(45,669)
Net Increase (Decrease)—Investor Shares	(87,619)	(2,612)	(565,450)	(17,248)
Admiral Shares				
Issued	4,710,453	58,886	7,839,439	109,634
Issued in Lieu of Cash Distributions	480,224	5,906	1,305,973	18,414
Redeemed	(3,218,051)	(40,721)	(6,764,729)	(97,111)
Net Increase (Decrease)—Admiral Shares	1,972,626	24,071	2,380,683	30,937

H. Management has determined that no events or transactions occurred subsequent to March 31, 2021, that would require recognition or disclosure in these financial statements.

Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Equity Income Fund has renewed the fund's investment advisory arrangements with Wellington Management Company L.L.P. (Wellington Management) and The Vanguard Group, Inc. (Vanguard), through its Quantitative Equity Group. The board determined that renewing the fund's advisory arrangements was in the best interests of the fund and its shareholders.

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

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

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

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

Nature, extent, and quality of services

The board reviewed the quality of the fund's investment management services over both the short and long term, and took into account the organizational depth and stability of each advisor. The board considered the following:

Wellington Management. Wellington Management, founded in 1928, is among the nation's oldest and most respected institutional investment managers. Using fundamental research, Wellington Management seeks to build a portfolio with an above-market yield, superior growth rate, and attractive valuation. Although every company purchased for the portfolio will pay a dividend, the goal is to build a portfolio with an above-market yield in aggregate, allowing for individual companies with below-market yields. Normalized earnings, normalized price-to-earnings ratios, and improving returns on capital are key to the research process. The board also noted that the portfolio manager of the fund has more than three decades of investment industry experience. The firm has managed a portion of the fund since 2000.

Vanguard. Vanguard has been managing investments for more than four decades. The Quantitative Equity Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth. Vanguard has managed a portion of the fund since 2003.

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

Investment performance

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

Cost

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

The board did not consider the profitability of Wellington Management in determining whether to approve the advisory fee, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations. The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

The benefit of economies of scale

The board concluded that the fund's shareholders benefit from economies of scale because of breakpoints in the fund's advisory fee schedule for Wellington Management. The breakpoints reduce the effective rate of the fee as the fund's assets managed by Wellington Management increase. The board also concluded that the fund's arrangement with Vanguard ensures that the fund will realize economies of scale as it grows, with the cost to shareholders declining as the fund's assets managed by Vanguard increase.

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

Liquidity Risk Management

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

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

The board of trustees of Vanguard Fenway Funds approved the appointment of liquidity risk management program administrators responsible for administering Vanguard Equity Income Fund’s Program and for carrying out the specific responsibilities set forth in the Program, including reporting to the board on at least an annual basis regarding the Program’s operation, its adequacy, and the effectiveness of its implementation for the past year (the “Program Administrator Report”). The board has reviewed the Program Administrator Report covering the period from January 1, 2020, through December 31, 2020 (the “Review Period”). The Program Administrator Report stated that during the Review Period the Program operated and was implemented effectively to manage the fund’s liquidity risk.



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