

Semiannual Report | March 31, 2023

Vanguard Equity Income Fund

Contents

About Your Fund's Expenses 1

Financial Statements 4

Trustees Approve Advisory Arrangement 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, 2023

	Beginning Account Value 9/30/2022	Ending Account Value 3/31/2023	Expenses Paid During Period
Based on Actual Fund Return			
Equity Income Fund			
Investor Shares	\$1,000.00	\$1,114.80	\$1.42
Admiral™ Shares	1,000.00	1,115.30	0.95
Based on Hypothetical 5% Yearly Return			
Equity Income Fund			
Investor Shares	\$1,000.00	\$1,023.59	\$1.36
Admiral Shares	1,000.00	1,024.03	0.91

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 0.27% for Investor Shares and 0.18% 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, 2023

Communication Services	2.3%
Consumer Discretionary	5.5
Consumer Staples	13.8
Energy	10.0
Financials	18.4
Health Care	17.0
Industrials	10.4
Information Technology	9.3
Materials	3.7
Real Estate	1.4
Utilities	8.2

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.

Equity Income Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Ameriprise Financial Inc.	468,972	143,740	Siemens AG (Registered)	2,731,858	442,572
Bank of New York Mellon Corp.	2,909,789	132,221	L3Harris Technologies Inc.	2,248,827	441,310
Discover Financial Services	1,255,244	124,068	Raytheon Technologies Corp.	4,145,240	405,943
Hartford Financial Services Group Inc.	1,630,558	113,634	Honeywell International Inc.	2,100,722	401,490
PNC Financial Services Group Inc.	802,955	102,056	Emerson Electric Co.	4,464,032	388,996
MGIC Investment Corp.	7,326,802	98,326	Eaton Corp. plc	2,093,796	358,751
Synchrony Financial	3,255,317	94,665	Canadian National Railway Co.	2,876,839	339,452
Jefferies Financial Group Inc.	2,931,818	93,056	Union Pacific Corp.	1,186,721	238,839
Allstate Corp.	703,367	77,940	Caterpillar Inc.	1,018,185	233,001
Radian Group Inc.	3,087,063	68,224	Automatic Data Processing Inc.	986,071	219,529
Zions Bancorp NA	2,215,710	66,316	Waste Management Inc.	942,696	153,820
Goldman Sachs Group Inc.	179,780	58,808	Cummins Inc.	575,185	137,400
Fidelity National Financial Inc.	1,677,470	58,594	3M Co.	1,211,349	127,325
Popular Inc.	978,844	56,195	United Parcel Service Inc. Class B (XNYS)	518,609	100,605
Assurant Inc.	458,951	55,106	Lockheed Martin Corp.	201,814	95,404
Unum Group	1,124,871	44,500	Triton International Ltd.	1,384,476	87,527
SLM Corp.	3,538,888	43,847	ManpowerGroup Inc.	975,724	80,526
Lincoln National Corp.	1,901,745	42,732	CH Robinson Worldwide Inc.	413,103	41,050
Jackson Financial Inc. Class A	1,097,530	41,059	Snap-on Inc.	100,175	24,732
Fifth Third Bancorp	1,265,620	33,716	Oshkosh Corp.	194,014	16,138
BlackRock Inc.	48,327	32,337	Huntington Ingalls Industries Inc.	71,146	14,729
Travelers Cos. Inc.	164,351	28,171	nVent Electric plc	210,858	9,054
Western Union Co.	2,381,370	26,552			5,401,682
Comerica Inc.	559,169	24,279	Information Technology (9.0%)		
EastWest Bancorp Inc.	359,392	19,946	Cisco Systems Inc.	20,470,890	1,070,116
Ally Financial Inc.	687,894	17,534	QUALCOMM Inc.	7,216,320	920,658
American Financial Group Inc.	83,000	10,084	Broadcom Inc.	1,056,579	677,838
Credicorp Ltd.	68,778	9,106	NXP Semiconductors NV	2,243,598	418,375
Progressive Corp.	62,964	9,008	Analog Devices Inc.	2,047,416	403,791
US Bancorp	63,412	2,286	Corning Inc.	11,420,122	402,902
		9,580,545	TE Connectivity Ltd.	2,780,787	364,700
Health Care (16.6%)			HP Inc.	4,872,435	143,006
Pfizer Inc.	39,420,516	1,608,357	Texas Instruments Inc.	649,177	120,753
Merck & Co. Inc.	12,894,123	1,371,806	NetApp Inc.	1,753,658	111,971
Johnson & Johnson	8,681,156	1,345,579	Intel Corp.	1,962,871	64,127
Eli Lilly & Co.	3,111,606	1,068,588	International Business Machines Corp.	471,153	61,764
AstraZeneca plc ADR	6,783,612	470,851	KLA Corp.	134,535	53,702
Becton Dickinson and Co.	1,577,229	390,427			4,813,703
AbbVie Inc.	2,344,658	373,668	Materials (3.6%)		
UnitedHealth Group Inc.	782,554	369,827	LyondellBasell Industries NV Class A	5,225,977	490,667
Roche Holding AG	1,246,882	356,287	PPG Industries Inc.	3,301,801	441,055
Medtronic plc	3,862,652	311,407	Rio Tinto plc ADR	4,665,321	320,041
Bristol-Myers Squibb Co.	4,244,219	294,167	Celanese Corp. Class A	2,091,128	227,703
Elevance Health Inc.	586,301	269,587	Reliance Steel & Aluminum Co.	505,600	129,808
Amgen Inc.	1,114,587	269,451	CF Industries Holdings Inc.	1,463,392	106,081
CVS Health Corp.	2,610,066	193,954	Steel Dynamics Inc.	921,573	104,193
Gilead Sciences Inc.	1,660,233	137,750	Linde plc	161,455	57,387
Organon & Co.	406,871	9,570	Olin Corp.	325,561	18,069
		8,841,276	Eastman Chemical Co.	184,979	15,601
Industrials (10.1%)			Chemours Co.	287,257	8,600
General Dynamics Corp.	2,494,225	569,207			1,919,205
Johnson Controls International plc	7,875,817	474,282			

Equity Income Fund

	Shares	Market Value* (\$000)		Face Amount (\$000)	Market Value* (\$000)
Real Estate (1.4%)					
Crown Castle Inc.	2,994,578	400,795			
Welltower Inc.	4,841,668	347,099			
		747,894			
Utilities (8.0%)					
NextEra Energy Inc.	9,317,825	718,218			
American Electric Power Co. Inc.	7,692,009	699,896			
Exelon Corp.	16,464,280	689,689			
Sempra Energy (XNYS)	3,514,449	531,244			
Atmos Energy Corp.	4,213,919	473,476			
WEC Energy Group Inc.	1,469,734	139,316			
PPL Corp.	4,486,297	124,674			
NRG Energy Inc.	3,306,780	113,390			
Vistra Corp.	4,702,224	112,853			
Xcel Energy Inc.	1,606,316	108,330			
UGI Corp.	2,749,178	95,562			
National Fuel Gas Co.	1,427,362	82,416			
Eversource Energy	864,580	67,662			
DTE Energy Co.	571,512	62,603			
AES Corp.	2,231,532	53,735			
Portland General Electric Co.	1,048,824	51,277			
IDACORP Inc.	461,816	50,029			
Edison International	536,288	37,857			
Entergy Corp.	234,410	25,255			
Duke Energy Corp.	109,414	10,555			
Energy Inc.	168,657	10,308			
Southern Co.	125,443	8,728			
CMS Energy Corp.	31,873	1,956			
		4,269,029			
Total Common Stocks (Cost \$42,380,415)					
		51,996,978			
Temporary Cash Investments (3.1%)					
Money Market Fund (2.2%)					
^{2,3} Vanguard Market Liquidity Fund, 4.839%					
	11,495,118	1,149,397			
				Face Amount (\$000)	
Repurchase Agreements (0.9%)					
Goldman Sachs & Co. 4.760%, 4/3/23 (Dated 3/31/23, Repurchase Value \$52,321,000, collateralized by Fannie Mae 2.000%–4.500%, 2/1/41–4/1/52, Ginnie Mae 2.400%–6.000%, 9/15/24–4/15/57, and U.S. Treasury Bill 0.000%, 6/29/23, with a value of \$53,346,000)					
	52,300	52,300			
NatWest Markets plc					
4.770%, 4/3/23 (Dated 3/31/23, Repurchase Value \$258,603,000, collateralized by U.S. Treasury Note/Bond 0.125%–4.625%, 5/31/23–5/15/32, with a value of \$263,670,000)					
	258,500	258,500			
Nomura International plc					
4.800%, 4/3/23 (Dated 3/31/23, Repurchase Value \$192,177,000, collateralized by U.S. Treasury Inflation Indexed Note/Bond 0.250%–2.375, 1/15/27–7/15/29, and U.S. Treasury Note/Bond 0.375%–4.375%, 11/30/25–8/15/42, with a value of \$195,942,000)					
	192,100	192,100			
		502,900			
Total Temporary Cash Investments (Cost \$1,652,174)					
					1,652,297
Total Investments (100.6%) (Cost \$44,032,589)					
					53,649,275
Other Assets and Liabilities—Net (-0.6%)					
					(294,076)
Net Assets (100%)					
					53,355,199

Cost is in \$000.

• See Note A in Notes to Financial Statements.

1 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$343,878,000.

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 \$365,988,000 was received for securities on loan. ADR—American Depositary Receipt.

Equity Income Fund

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
E-mini S&P 500 Index	June 2023	4,215	872,031	47,814

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

Statement of Assets and Liabilities

As of March 31, 2023

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

Assets	
Investments in Securities, at Value ¹	
Unaffiliated Issuers (Cost \$42,883,315)	52,499,878
Affiliated Issuers (Cost \$1,149,274)	1,149,397
Total Investments in Securities	53,649,275
Investment in Vanguard	1,963
Cash Collateral Pledged—Futures Contracts	46,779
Receivables for Investment Securities Sold	232,638
Receivables for Accrued Income	107,905
Receivables for Capital Shares Issued	47,606
Variation Margin Receivable—Futures Contracts	12,058
Total Assets	54,098,224
Liabilities	
Foreign Currency Due to Custodian, at Value (Proceeds \$3)	97
Due to Custodian	11,713
Payables for Investment Securities Purchased	309,765
Collateral for Securities on Loan	365,988
Payables to Investment Advisor	10,316
Payables for Capital Shares Redeemed	42,678
Payables to Vanguard	2,468
Total Liabilities	743,025
Net Assets	53,355,199

¹ Includes \$343,878,000 of securities on loan.

At March 31, 2023, net assets consisted of:

Paid-in Capital	42,787,509
Total Distributable Earnings (Loss)	10,567,690
Net Assets	53,355,199

Investor Shares—Net Assets

Applicable to 133,023,222 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	5,223,861
Net Asset Value Per Share—Investor Shares	\$39.27

Admiral Shares—Net Assets

Applicable to 584,894,267 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	48,131,338
Net Asset Value Per Share—Admiral Shares	\$82.29

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

Statement of Operations

Six Months Ended
March 31, 2023

(\$000)

Investment Income	
Income	
Dividends ¹	832,188
Interest ²	24,989
Securities Lending—Net	452
Total Income	857,629
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	22,427
Performance Adjustment	1,432
The Vanguard Group—Note C	
Management and Administrative—Investor Shares	4,642
Management and Administrative—Admiral Shares	20,413
Marketing and Distribution—Investor Shares	128
Marketing and Distribution—Admiral Shares	1,170
Custodian Fees	153
Shareholders' Reports—Investor Shares	61
Shareholders' Reports—Admiral Shares	386
Trustees' Fees and Expenses	12
Other Expenses	6
Total Expenses	50,830
Expenses Paid Indirectly	(24)
Net Expenses	50,806
Net Investment Income	806,823
Realized Net Gain (Loss)	
Investment Securities Sold ²	1,174,500
Futures Contracts	(79,549)
Foreign Currencies	687
Realized Net Gain (Loss)	1,095,638
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ²	3,413,558
Futures Contracts	183,776
Foreign Currencies	611
Change in Unrealized Appreciation (Depreciation)	3,597,945
Net Increase (Decrease) in Net Assets Resulting from Operations	5,500,406

1 Dividends are net of foreign withholding taxes of \$8,577,000.

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 \$17,155,000, \$224,000, \$2,000, and (\$44,000), respectively. Purchases and sales are for temporary cash investment purposes.

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

Statement of Changes in Net Assets

	Six Months Ended March 31, 2023	Year Ended September 30, 2022
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	806,823	1,445,651
Realized Net Gain (Loss)	1,095,638	3,027,890
Change in Unrealized Appreciation (Depreciation)	3,597,945	(6,877,921)
Net Increase (Decrease) in Net Assets Resulting from Operations	5,500,406	(2,404,380)
Distributions		
Investor Shares	(371,405)	(417,573)
Admiral Shares	(3,380,091)	(3,618,297)
Total Distributions	(3,751,496)	(4,035,870)
Capital Share Transactions		
Investor Shares	220,466	181,131
Admiral Shares	3,524,618	5,413,453
Net Increase (Decrease) from Capital Share Transactions	3,745,084	5,594,584
Total Increase (Decrease)	5,493,994	(845,666)
Net Assets		
Beginning of Period	47,861,205	48,706,871
End of Period	53,355,199	47,861,205

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended March 31, 2023	Year Ended September 30,				
		2022	2021	2020	2019	2018
Net Asset Value, Beginning of Period	\$37.83	\$42.95	\$33.75	\$36.51	\$37.98	\$35.64
Investment Operations						
Net Investment Income ¹	.597	1.159	1.041	1.000	1.002	.965
Net Realized and Unrealized Gain (Loss) on Investments	3.769	(2.848)	9.232	(2.067)	.972	2.764
Total from Investment Operations	4.366	(1.689)	10.273	(1.067)	1.974	3.729
Distributions						
Dividends from Net Investment Income	(.601)	(1.134)	(1.012)	(1.034)	(.997)	(.943)
Distributions from Realized Capital Gains	(2.325)	(2.297)	(.061)	(.659)	(2.447)	(.446)
Total Distributions	(2.926)	(3.431)	(1.073)	(1.693)	(3.444)	(1.389)
Net Asset Value, End of Period	\$39.27	\$37.83	\$42.95	\$33.75	\$36.51	\$37.98
Total Return²	11.48%	-4.67%	30.66%	-2.87%	6.43%	10.58%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$5,224	\$4,823	\$5,285	\$4,482	\$5,478	\$5,751
Ratio of Total Expenses to Average Net Assets ³	0.27% ⁴	0.28% ⁴	0.28%	0.28%	0.27%	0.27%
Ratio of Net Investment Income to Average Net Assets	2.82%	2.69%	2.56%	2.89%	2.84%	2.60%
Portfolio Turnover Rate	20%	40%	29%	35%	32%	37%

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%, 0.01%, 0.01%, and (0.00%).

4 The ratio of expenses to average net assets for the period net of reduction from broker commission abatement arrangements was 0.27% and 0.28% .

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended March 31, 2023	Year Ended September 30,				
		2022	2021	2020	2019	2018
Net Asset Value, Beginning of Period	\$79.28	\$90.01	\$70.73	\$76.52	\$79.61	\$74.69
Investment Operations						
Net Investment Income ¹	1.291	2.516	2.262	2.159	2.167	2.099
Net Realized and Unrealized Gain (Loss) on Investments	7.891	(5.973)	19.342	(4.331)	2.028	5.806
Total from Investment Operations	9.182	(3.457)	21.604	(2.172)	4.195	7.905
Distributions						
Dividends from Net Investment Income	(1.299)	(2.460)	(2.196)	(2.236)	(2.156)	(2.048)
Distributions from Realized Capital Gains	(4.873)	(4.813)	(.128)	(1.382)	(5.129)	(.937)
Total Distributions	(6.172)	(7.273)	(2.324)	(3.618)	(7.285)	(2.985)
Net Asset Value, End of Period	\$82.29	\$79.28	\$90.01	\$70.73	\$76.52	\$79.61
Total Return²	11.53%	-4.58%	30.77%	-2.77%	6.51%	10.70%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$48,131	\$43,039	\$43,422	\$30,816	\$30,972	\$27,625
Ratio of Total Expenses to Average Net Assets ³	0.18% ⁴	0.19% ⁴	0.19%	0.19%	0.18%	0.18%
Ratio of Net Investment Income to Average Net Assets	2.91%	2.78%	2.64%	2.98%	2.93%	2.69%
Portfolio Turnover Rate	20%	40%	29%	35%	32%	37%

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%, 0.01%, 0.01%, and (0.00%).

4 The ratio of expenses to average net assets for the period net of reduction from broker commission abatement arrangements was 0.18% and 0.19%.

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.

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

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

3. **Repurchase Agreements:** The fund enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the fund under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The fund further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that,

in the event of a counterparty's default (including bankruptcy), the fund may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

4. **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, 2023, 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.

5. **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.

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 and are subject to the fund's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed amount of the facility, which are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under either facility bear interest at an agreed-upon spread plus the higher of the federal funds effective rate, the overnight bank funding rate, or the Daily Simple Secured Overnight Financing Rate inclusive of an additional agreed-upon spread. However, borrowings under the uncommitted credit facility may bear interest based upon an alternate rate agreed to by the fund and Vanguard.

In accordance with an exemptive order (the "Order") from the SEC, the fund may participate in a joint lending and borrowing program that allows registered open-end Vanguard funds to borrow money from and lend money to each other for temporary or emergency purposes (the "Interfund Lending Program"), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the fund's investment objective and investment policies. Interfund loans and borrowings normally extend overnight but can have a maximum duration of seven days. Loans may be called on one business day's notice. The interest rate to be charged is governed by the conditions of the Order and internal procedures adopted by the board of trustees. The board of trustees is responsible for overseeing the Interfund Lending Program.

For the six months ended March 31, 2023, 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 income, if any, are recorded at the fair value of the securities received. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

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

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

B. Wellington Management Company LLP provides investment advisory services to 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 \$2,242,000 for the six months ended March 31, 2023.

For the six months ended March 31, 2023, 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 a net increase of \$1,432,000 (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, 2023, the fund had contributed to Vanguard capital in the amount of \$1,963,000, representing less than 0.01% of the fund's net assets and 0.79% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

D. The fund has asked its investment advisor to direct certain security trades, subject to obtaining the best price and execution, to brokers who have agreed to rebate to the fund part of the commissions generated. Such rebates are used solely to reduce the fund's management and administrative expenses. For the six months ended March 31, 2023, these arrangements reduced the fund's expenses by \$24,000 (an annual rate of less than 0.01% of average net assets).

E. 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, 2023, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
Investments				
Assets				
Common Stocks	50,878,211	1,118,767	—	51,996,978
Temporary Cash Investments	1,149,397	502,900	—	1,652,297
Total	52,027,608	1,621,667	—	53,649,275

Derivative Financial Instruments

Assets				
Futures Contracts ¹	47,814	—	—	47,814

¹ Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

F. As of March 31, 2023, 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	44,130,748
Gross Unrealized Appreciation	11,099,679
Gross Unrealized Depreciation	(1,533,338)
Net Unrealized Appreciation (Depreciation)	9,566,341

G. During the six months ended March 31, 2023, the fund purchased \$11,532,263,000 of investment securities and sold \$10,586,466,000 of investment securities, other than temporary cash investments.

The fund purchased securities from and sold securities to other funds or accounts managed by its investment advisors or their affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended March 31, 2023, such purchases were \$59,929,000 and sales were \$1,567,000, resulting in net realized gain of \$516,000; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

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

	Six Months Ended March 31, 2023		Year Ended September 30, 2022	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	407,113	9,890	847,534	19,586
Issued in Lieu of Cash Distributions	346,519	8,707	385,775	9,104
Redeemed	(533,166)	(13,048)	(1,052,178)	(24,275)
Net Increase (Decrease)—Investor Shares	220,466	5,549	181,131	4,415
Admiral Shares				
Issued	4,904,787	57,257	9,294,275	102,758
Issued in Lieu of Cash Distributions	3,042,984	36,492	3,190,190	35,953
Redeemed	(4,423,153)	(51,731)	(7,071,012)	(78,259)
Net Increase (Decrease)—Admiral Shares	3,524,618	42,018	5,413,453	60,452

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

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Equity Income Fund has renewed the fund's investment advisory arrangements with Wellington Management Company LLP (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 periodic reports throughout the year, which included information about the fund's performance relative to its peers and benchmark, as applicable, and updates, as needed, on the Portfolio Review Department's ongoing assessment of the advisors.

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. Utilizing fundamental research, Wellington Management seeks to build a portfolio with an above-market yield, superior growth rate, and more 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 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 below the average expense ratio charged by funds in its peer group and that the fund's advisory expense rate was also below the peer-group average.

The board did not consider the profitability of Wellington Management in determining whether to approve the advisory fee, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations. The 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, 2022, through December 31, 2022 (the “Review Period”). The Program Administrator Report stated that during the Review Period the Program operated and was implemented effectively to manage the fund’s liquidity risk.



Connect with Vanguard® > [vanguard.com](https://www.vanguard.com)

Fund Information > 800-662-7447

Direct Investor Account Services > 800-662-2739

Institutional Investor Services > 800-523-1036

Text Telephone for People Who Are Deaf or Hard of Hearing > 800-749-7273

This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

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. 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.

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.