Changes to Vanguard Alternative Strategies Fund

Changes to the investment objective and benchmark of Vanguard Alternative Strategies Fund, an underlying fund (“Underlying Fund”) of Vanguard Managed Payout Fund (the “Fund”), together with the adoption of a risk methodology, were approved by Underlying Fund’s board of trustees. These changes are expected to become effective on or about November 1, 2019. Please see Underlying Fund’s prospectus for more information about the fund and its investment strategies and risks.

The Fund’s investment objective, principal investment strategies, and principal risks are not expected to change.

Prospectus Text Changes

The following replaces similar text in the first sentence under the heading “Absolute Return Investing” in the Principal Investment Strategies section:

The Fund may invest in Vanguard Alternative Strategies Fund, which seeks to generate returns by utilizing several alternative strategies that individually and collectively are expected to have low correlation with traditional capital markets and that seeks capital appreciation.

The following replaces similar text in the first sentence under the heading “Alternative Strategies Fund” in the More on the Fund section:

The Managed Payout Fund may invest in Vanguard Alternative Strategies Fund, which seeks to generate returns that have low correlation with the returns of the stock and bond markets and that seeks capital appreciation.
Vanguard Managed Payout Fund

Supplement Dated June 25, 2019, to the Prospectus Dated April 26, 2019

Important Changes to the Fund

On June 25, 2019, Vanguard Managed Payout Fund (the “Fund”) will reallocate a portion of its assets to Vanguard Commodity Strategy Fund (the “Commodity Strategy Fund”). This change was previously approved by the Fund’s board of trustees.

The Fund does not have a fixed asset allocation. As described in the Fund’s prospectus, the exact proportion of each asset class or investment may be changed to reflect shifts in the advisor’s risk and return expectations.

Vanguard Commodity Strategy Fund

Prior to June 25, 2019, the Fund gained exposure to the commodities markets by investing in a wholly owned subsidiary. Effective June 25, 2019, the Fund gains exposure to the commodities markets by investing in the Commodity Strategy Fund. The Fund may also invest directly in commodity-linked investments.

The Commodity Strategy Fund seeks to provide broad commodities exposure and capital appreciation by investing in commodity-linked investments, which are backed by a portfolio of inflation-linked investments and other fixed income securities. Commodities are real assets, including, but not limited to, agricultural products, livestock, precious and industrial metals, and energy products. The Commodity Strategy Fund invests—either directly or indirectly through a wholly owned subsidiary—in instruments that create long and short exposure to commodities, including commodity-linked total return swaps, commodity futures contracts and options on commodity futures contracts, commodity-linked structured notes, exchange-traded commodity pools or funds, and other

(over, please)
commodity-linked derivative instruments. Particular commodity-linked investments may not necessarily conform to the composition, weighting, roll dates, reset dates, or contract months of the fund’s benchmark index or any other commodity market index. The Commodity Strategy Fund invests the remainder of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations; or in other fixed income securities, such as cash or cash equivalent investments and short-term bonds. The Commodity Strategy Fund's fixed income investments may provide liquidity for the fund or serve as margin or collateral for its commodity-linked investments.

Please see the Commodity Strategy Fund’s prospectus for more information about the fund and its investment strategies and risks.
Vanguard Managed Payout Fund Prospectus

April 26, 2019

Investor Shares

Vanguard Managed Payout Fund Investor Shares (VPGDX)

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

This prospectus contains financial data for the Fund through the fiscal year ended December 31, 2018.

The Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.
Important information about access to shareholder reports

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

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

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

Contents
Fund Summary

Investment Objective
The Fund will make monthly cash distributions while seeking to have these distributions and the invested capital keep pace with inflation over time.

Fees and Expenses
The following table describes the fees and expenses you may pay if you buy and hold shares of the Fund.

Shareholder Fees
(Fees paid directly from your investment)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Charge (Load) Imposed on Purchases</td>
<td>None</td>
</tr>
<tr>
<td>Purchase Fee</td>
<td>None</td>
</tr>
<tr>
<td>Sales Charge (Load) Imposed on Reinvested Dividends</td>
<td>None</td>
</tr>
<tr>
<td>Redemption Fee</td>
<td>None</td>
</tr>
<tr>
<td>Account Service Fee (for certain fund account balances below $10,000)</td>
<td>$20/year</td>
</tr>
</tbody>
</table>

Annual Fund Operating Expenses
(Expenses that you pay each year as a percentage of the value of your investment)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Fees</td>
<td>None</td>
</tr>
<tr>
<td>12b-1 Distribution Fee</td>
<td>None</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>None</td>
</tr>
<tr>
<td>Acquired Fund Fees and Expenses</td>
<td>0.32%</td>
</tr>
<tr>
<td>Total Annual Fund Operating Expenses</td>
<td>0.32%</td>
</tr>
</tbody>
</table>
Example

The following example is intended to help you compare the cost of investing in the Fund (based on the fees and expenses of the acquired funds) with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you were to invest $10,000 in the Fund’s shares. This example assumes that the Fund provides a return of 5% each year and that total annual fund operating expenses of the Fund and its underlying funds remain as stated in the preceding table. You would incur these hypothetical expenses whether or not you were to redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>$33</td>
<td>$103</td>
<td>$180</td>
<td>$406</td>
</tr>
</tbody>
</table>

Portfolio Turnover

The Fund may pay transaction costs, such as purchase fees, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in more taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 17% of the average value of its portfolio.

Principal Investment Strategies

The Fund invests in Vanguard mutual funds and other investments according to an asset allocation strategy designed to provide shareholders with regular cash flow from their investments in the Fund. The Fund may allocate its assets across a broadly diversified selection of opportunities—such as stocks (including stocks issued by real estate investment trusts (REITs)), bonds, cash, inflation-linked investments, and selected other investments—in proportions that reflect the advisor’s evaluation of their expected returns and risks as an integrated whole. The advisor uses quantitative analysis and professional judgment in an attempt to combine complementary asset classes and investments across the risk/reward spectrum. The exact proportion of each asset class or investment may be changed to reflect shifts in the advisor’s risk
and return expectations. Although the Fund has flexibility to invest substantially in a single asset class or investment, the Fund is generally expected to allocate its assets across multiple asset classes and investments, including the following:

- **Stocks.** The Fund may invest in Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, and Vanguard Global Minimum Volatility Fund (and/or other Vanguard stock funds) to capture the investment returns of U.S. and foreign equity markets. The Fund may also invest in Vanguard Real Estate Index Fund to capture the returns of stocks issued by equity real estate investment trusts (known as REITs). The Fund will, through its investments in Vanguard stock funds, indirectly invest, to varying degrees, in large-, mid-, and small-capitalization stocks diversified across growth and value styles in the United States, as well as in stocks of companies located in developed and emerging markets around the world. Certain foreign stocks may be hedged to the U.S. dollar in order to reduce currency volatility.

- **Bonds and Cash.** The Fund may invest in Vanguard Total Bond Market II Index Fund, Vanguard Intermediate-Term Investment-Grade Fund, and Vanguard Total International Bond Index Fund (and/or other Vanguard bond funds) to capture the investment returns of U.S. and foreign fixed income markets. Through its investments in one or more Vanguard bond funds, the Fund will indirectly invest, to varying degrees, in a wide spectrum of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure). The Fund may also invest a portion of its assets in a Vanguard money market fund that invests in high-quality, short-term money market instruments.

- **Inflation-Linked Investments.** The Fund may invest in Vanguard Inflation-Protected Securities Fund and Vanguard Short-Term Inflation-Protected Securities Index Fund (and/or other Vanguard inflation-protected securities funds) to capture the investment returns of inflation-indexed securities issued by the U.S. government, its agencies and instrumentalities, and corporations.

- **Other Investments.** The Fund may invest in selected other investments (“other investments”) that employ strategies that have historically generated capital appreciation over the long term while exhibiting low correlation with the returns of the U.S. stock market. The advisor believes that the expected return characteristics of these other investments offer potential diversification to a balanced portfolio of stocks, bonds, and cash. A description of the Fund’s potential other investments follows.

  - **Commodity-Linked Investments and Subsidiary Investments.** The Fund may allocate a portion of its assets to investments that create exposure to the commodity markets, including investments that provide exposure to the total return of a diversified basket of exchange-traded futures contracts on physical
commodities. Commodities include real assets such as agricultural products, livestock, precious and industrial metals, and energy products. The Fund may obtain exposure to the commodity markets by investing a portion of its assets in a wholly owned subsidiary, which in turn invests in commodity-linked investments and fixed income securities. The Fund may also obtain exposure to the commodity markets by direct investment in certain types of commodity-linked investments. Commodity-linked investments may include commodity-linked total return swaps, commodity futures contracts, options on commodity futures contracts, commodity-linked structured notes, exchange-traded commodity pools or funds, and other commodity-linked investments.

- **Market Neutral Investments.** The Fund may invest in Vanguard Market Neutral Fund, which seeks to provide long-term capital appreciation while limiting exposure to general stock market risk. The Market Neutral Fund’s advisor selects and maintains a diversified portfolio of common stocks for the fund. The Market Neutral Fund follows a market neutral strategy, which the fund defines as a strategy designed to produce a portfolio that is neutral with respect to general stock market risk (sometimes referred to as beta neutrality). Beta is a measure of a portfolio’s volatility relative to the volatility of the general stock market. The Market Neutral Fund, as a whole, does not seek to adhere to any other definition of market neutrality. By taking long and short positions in different securities, the Market Neutral Fund attempts to limit the effect of market movements on portfolio performance.

- **Absolute Return Investing.** The Fund may invest in Vanguard Alternative Strategies Fund, which seeks to generate returns by utilizing several alternative strategies that individually and collectively are expected to have low correlation with traditional capital markets and that collectively are expected to have lower volatility than the overall U.S. stock market. The strategies are based on the advisor’s view regarding investable opportunities across capital markets. The Alternative Strategies Fund pursues strategies including the following: long/short equity, event driven, fixed income relative value, currencies, and commodity-linked investments. The Alternative Strategies Fund will hold long and/or short positions within each strategy in an allocation that attempts to minimize market exposure, while attempting to capture attractive risk premiums identified by the advisor. The advisor expects that, over the long term, the assets underlying its long positions will outperform (appreciate more than or depreciate less than) the assets underlying its short positions. The Alternative Strategies Fund implements these strategies by investing, either directly or indirectly through a wholly owned subsidiary, in a broad range of investments that may include, but are not limited to, the following: equities; fixed income instruments; options; foreign currency exchange forward contracts; futures, including commodity and U.S. Treasury futures; and swaps.
Principal Risks
The Fund’s investment strategies are intended to create a moderate level of risk for the Fund. An investment in the Fund, however, could lose money over short, intermediate, or long periods of time because the Fund allocates its assets worldwide across different asset classes and investments with specific risk and return characteristics. Results may vary substantially over time, and there is no guarantee that the Fund will achieve its investment objective or that any of its investment strategies will succeed.

The Fund is subject to one or more of the risks described in this section. Each of these risks, alone or in combination with other risks, has the potential to hurt, sometimes significantly, Fund performance and reduce Fund distributions.

Managed Distribution Risk
The Fund is expected to continue to make monthly cash distributions under its managed distribution policy regardless of the Fund’s investment performance. Because these distributions will be made from Fund assets, and shareholders are generally not expected to reinvest such distributions in additional Fund shares, the Fund’s monthly cash distributions will reduce the amount of assets available for investment by the Fund. It is possible for the Fund to suffer substantial investment losses and simultaneously experience additional asset reductions as a result of its distributions to shareholders under the managed distribution policy. Moreover, even if the Fund’s capital grows over short, intermediate, or long periods of time, it is possible that such growth will be insufficient to enable the Fund to maintain the amount of its scheduled cash distributions without returning capital to shareholders. A return of capital is a return of all or part of a shareholder’s original investment in the Fund. In general, a return of capital is not immediately taxable to a shareholder. Rather, it reduces a shareholder’s cost basis in Fund shares and is not taxable to a shareholder until his or her cost basis has been reduced to zero. The Fund’s ability to achieve its objective of preserving capital while making monthly distributions is subject to market conditions at the time you invest and the length of time you hold shares of the Fund. For example, buying shares of the Fund when interest rates are low and stock prices are declining may result in lower monthly distributions and less capital preservation or appreciation in the Fund.

The Fund’s managed distribution policy is designed to distribute a consistent amount of cash once per month throughout each calendar year, excluding any additional distributions required to comply with applicable law. Under the managed distribution policy, the dollar amount of the Fund’s scheduled monthly distributions for a particular calendar year generally will increase or decrease each January based on the Fund’s performance over the previous three years. Accordingly, the dollar amount of the Fund’s monthly cash distributions could increase or decrease substantially from one year to the next and over time depending on, among other things, the performance of
the financial markets in which the Fund invests, the allocation of Fund assets across different asset classes and investments, the performance of the Fund’s investment strategies, and the amount and timing of prior distributions by the Fund. It is also possible for your distributions from the Fund to decrease substantially from one year to the next and over time, depending on the timing of your investments in the Fund. Any redemptions you make from your Fund account also may proportionately reduce the amount of future cash distributions you will receive from the Fund. An investment in the Fund could lose money over short, intermediate, or long periods of time. The Fund does not guarantee the repayment of your original principal investment.

**Manager Risk and Asset Allocation Risk**
The Fund is subject to manager risk and asset allocation risk, which are the risks that poor investment selections and/or poor asset allocation decisions by the advisor will cause the Fund to either fail to achieve its objective or generate lower returns than were possible from different investment selections and/or asset allocation decisions. The underlying Vanguard funds in which the Fund invests also may be subject to manager risk to the extent that poor security selection by an advisor of an underlying fund will cause that underlying fund to underperform relevant benchmarks or other funds with similar investment objectives.

**U.S. Stock Risks**
The Fund’s investments in underlying funds that invest in stocks subject it to stock risks, such as stock market risk and REIT stock risk.

- **Stock market risk** is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- **REIT stock risk** includes risks associated with investments in an underlying fund that invests primarily in REITs and also includes real estate industry risk and investment style risk, as well as stock market risk (previously described) and interest rate risk (described under “Bond Risks”). **Real estate industry risk** is the chance that the stocks of REITs will decline because of adverse developments affecting the real estate industry and real property values. **Investment style risk** is the chance that the returns from REIT stocks—which typically are small- or mid-capitalization stocks—will trail returns from the overall stock market. Historically, REIT stocks have performed quite differently from the overall market.

**Foreign Stock Risks**
The Fund’s investments in underlying funds that invest in foreign stocks can be riskier than U.S. stock investments. Foreign stocks may be more volatile and less liquid than U.S. stocks. The prices of foreign stocks and the prices of U.S. stocks may move in opposite directions. Additional foreign stock risks include currency risk, currency hedging risk, country/regional risk, and emerging markets risk.
• **Currency risk** is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

• **Currency hedging risk** is the chance that the currency hedging transactions entered into by an underlying fund may not perfectly offset the fund’s foreign currency exposure. For example, the fund will decline in value if it underhedges a currency that has weakened or overhedges a currency that has strengthened relative to the U.S. dollar.

• **Country/regional risk** is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions.

• **Emerging markets risk** is the chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets because, among other factors, emerging markets can have greater custodial and operational risks; less developed legal, tax, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

**Bond Risks**
The Fund’s investments in underlying funds that invest in bonds or money market instruments subject it to bond risks, such as interest rate risk, income risk, credit risk, call risk, and to a limited extent, event risk. The Fund is also subject to risks associated with investment in currency-hedged foreign bonds, including country/regional risk and currency hedging risk.

• **Interest rate risk** is the chance that bond prices will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because the underlying bond funds invest primarily in short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.

• **Income risk** is the chance that an underlying fund’s income will decline because of falling interest rates. Income risk is generally higher for funds holding short-term bonds and lower for funds holding long-term bonds.

• **Credit risk** is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer’s ability to make such payments will cause the price of that security to decline, thus reducing an underlying fund’s return. Although the Fund has limited exposure to low-quality bonds (through its investment in Vanguard Intermediate-Term Investment-Grade Fund), overall credit risk should be low for the Fund because the underlying bond funds invest primarily in bonds that are considered high-quality and, to a lesser extent, in bonds that are considered medium-quality.

• **Call risk** is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. If an underlying fund holds a bond that is called, the underlying
fund would then lose any price appreciation above the bond’s call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund’s income.

- **Country/regional risk** is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign governments, government agencies, or companies.

- **Currency hedging risk** is the chance that the currency hedging transactions entered into by the underlying international bond fund may not perfectly offset the fund’s foreign currency exposure.

- **Event risk** is the chance that corporate fixed income securities will suffer a substantial decline in credit quality and market value because of a corporate restructuring.

**Inflation-Linked Investment Risk**
The Fund’s investments in underlying funds that invest in inflation-protected securities subject it to risks associated with investing in inflation-indexed securities. These risks include the chance of considerable income fluctuations associated with changes in inflation, as well as bond risks (previously described).

**Commodity-Linked Investment and Subsidiary Investment Risk**
The Fund has the ability to obtain commodity exposure by investing directly in commodity-linked investments, in underlying funds that invest in commodity-linked investments, or in a wholly owned subsidiary that invests in commodity-linked investments. These investments subject the Fund to risks associated with commodity market investments, including those that create exposure to the total return of exchange-traded futures contracts on physical commodities. Commodity futures prices have a historically low correlation with the returns of the stock and bond markets. Particular commodity-linked investments may not necessarily conform to the composition, weighting, roll dates, reset dates, or contract months of any particular commodity futures market index. Commodity-linked investment risks include commodity futures trading risk, counterparty risk, derivatives risk, and tax risk. Investment in a subsidiary also subjects the Fund to subsidiary investment risk, manager risk, and tax risk. In particular, the subsidiary will not be organized as a mutual fund that is registered under any federal or state securities laws, including the Investment Company Act of 1940. Also, the tax treatment of the Fund’s investment in the wholly owned subsidiary may be adversely affected by changes in the laws or regulations, or interpretations of existing laws or regulations, of the United States and/or the jurisdiction of the subsidiary. Each of these risks is described in more detail under **More on the Fund**.

**Market Neutral Investment Risk**
The Fund’s investment in Vanguard Market Neutral Fund subjects it to risks associated with market neutral investing, such as strategy risk, short-selling risk, manager risk,
investment risk, country risk, and currency risk. These risks are described under More on the Fund.

**Absolute Return Investing Risk**
The Fund’s investment in Vanguard Alternative Strategies Fund subjects it to risks associated with absolute return investing, which is complex and may involve greater risk than investing in a traditional portfolio of stocks, bonds, and cash. These risks include leverage risk, manager risk, currency risk, liquidity risk, and leverage-financing risk. The other risks include stock risks, bond risks, short-selling risk, commodity-linked investment and subsidiary investment risk, tax risk, and derivatives risk. These risks are described under More on the Fund.

**Derivatives Risk**
The Fund’s direct investments and investments in certain underlying funds subject it to derivatives risk. The use of derivatives—such as futures contracts, foreign currency exchange forward contracts, swap agreements, options, and warrants—presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying security, commodity, asset, index, or reference rate. Derivative strategies often involve leverage, which may increase a loss, potentially causing the Fund or the underlying fund to lose more money than it would have lost had it invested in the underlying security.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**Annual Total Returns**
The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the Fund compare with those of relevant market indexes and a composite index, which have investment characteristics similar to those of the Fund. FTSE All-World Index returns are adjusted for withholding taxes applicable to U.S.-based mutual funds organized as Delaware statutory trusts. MSCI ACWI Equity Investable Market Index (IMI) returns are adjusted for withholding taxes. Keep in mind that the Fund’s past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at vanguard.com/performance or by calling Vanguard toll-free at 800-662-7447.
During the periods shown in the bar chart, the highest return for a calendar quarter was 13.52% (quarter ended June 30, 2009), and the lowest return for a quarter was –10.51% (quarter ended September 30, 2011).

Average Annual Total Returns for Periods Ended December 31, 2018

<table>
<thead>
<tr>
<th>Vanguard Managed Payout Fund Investor Shares</th>
<th>1 Year</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return Before Taxes</td>
<td>–5.67%</td>
<td>3.84%</td>
<td>8.19%</td>
</tr>
<tr>
<td>Return After Taxes on Distributions</td>
<td>–7.59</td>
<td>2.53</td>
<td>6.87</td>
</tr>
<tr>
<td>Return After Taxes on Distributions and Sale of Fund Shares</td>
<td>–2.25</td>
<td>2.68</td>
<td>6.25</td>
</tr>
</tbody>
</table>

Comparative Indexes

<table>
<thead>
<tr>
<th>Index Name</th>
<th>1 Year</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE All-World Index</td>
<td>–9.22%</td>
<td>4.72%</td>
<td>9.88%</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Aggregate Bond Index</td>
<td>0.01</td>
<td>2.52</td>
<td>3.48</td>
</tr>
<tr>
<td>Managed Payout Composite Index</td>
<td>–5.50</td>
<td>4.12</td>
<td>7.70</td>
</tr>
<tr>
<td>MSCI ACWI Equity IMI</td>
<td>–10.08</td>
<td>4.17</td>
<td>9.74</td>
</tr>
</tbody>
</table>

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned Return After Taxes on Distributions and Sale of Fund Shares may be higher than other figures for the
same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

Investment Advisor
The Vanguard Group, Inc. (Vanguard)

Portfolio Managers
John Ameriks, Ph.D., Principal of Vanguard and head of Vanguard’s Quantitative Equity Group. He has co-managed the Fund since 2014.

Anatoly Shtekhman, CFA, Portfolio Manager at Vanguard. He has co-managed the Fund since 2016.

Purchase and Sale of Fund Shares
You may purchase or redeem shares online through our website (vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The minimum investment amount required to open and maintain a Fund account for Investor Shares is $25,000. The minimum investment amount required to add to an existing Fund account is generally $1. Financial intermediaries, institutional clients, and Vanguard-advised clients should contact Vanguard for information on special eligibility rules that may apply to them regarding Investor Shares. If you are investing through an intermediary, please contact that firm directly for more information regarding your eligibility. If you are investing through an employer-sponsored retirement or savings plan, your plan administrator or your benefits office can provide you with detailed information on how you can invest through your plan.

Tax Information
The Fund’s distributions may be taxable as ordinary income or capital gain. If you are investing through a tax-advantaged account, such as an IRA or an employer-sponsored retirement or savings plan, special tax rules apply.

Payments to Financial Intermediaries
The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.
Investing in Vanguard Managed Payout Fund*

Vanguard Managed Payout Fund combines a unique managed distribution policy with an investment strategy to generate regular monthly payments to investors while seeking to have these payments and the invested capital keep pace with inflation over the long term. The Fund’s managed distribution policy is designed to provide level monthly payments throughout each year, with payments adjusted each January based on the Fund’s performance over the previous three years. The Fund may invest across a wide spectrum of asset classes and investments—such as stocks (including stocks issued by REITs), bonds, cash, inflation-linked investments, and selected other investments—that are expected to add diversification and result in a more consistent return pattern than a traditional balanced portfolio of stocks, bonds, and cash.

Plain Talk About Managed Payout Funds

“Managed payout funds” are funds specifically designed to provide investors with regular cash flows from their investments. For example, many closed-end funds have adopted “managed distribution policies” to pay periodic, level distributions to shareholders on a monthly or quarterly basis. Another example is a mutual fund that self-liquidates gradually over several years through periodic distributions, resulting in a market value close to zero by a scheduled termination date. An innovation in managed payout funds is a mutual fund—such as Vanguard Managed Payout Fund—designed to invest over the long term to preserve or grow invested capital, while providing a regular stream of cash distributions. Managed payout funds may be an appropriate way for an investor to generate cash flow to help meet retirement expenses.

It is possible for the Fund’s monthly distributions to increase or decrease from one year to the next because the scheduled monthly distributions during any calendar year are based on the Fund’s performance over the previous three years. There can be no assurance, and there is no guarantee, that the Fund will provide a fixed or stable level of cash distributions at any time or over any period of time. An investment in the Fund could lose money over short, intermediate, or long periods of time.

The Fund’s 12 scheduled distributions each year are made monthly, at mid-month. An additional distribution may be made in December, and other additional distributions may be made with respect to a particular fiscal year in order to comply with applicable law. The Fund is designed with the expectation that the 12 scheduled monthly distributions will be paid in cash but that each additional distribution for a particular fiscal year will be automatically reinvested in additional Fund shares. The reinvestment of additional distributions is done to allow the Fund to achieve its investment objective. These additional shares can be redeemed under the same terms and conditions as any other shares of the Fund.

* U.S. Patent Nos. 8,180,695; 8,185,464; and 8,571,963.
Retirement Investing
Many investors arrive at retirement with substantial assets accumulated over years of disciplined saving and prudent investing. Often, these investors are concerned about how to best use their assets to meet monthly retirement expenses, while at the same time preserving their assets for heirs, philanthropy, or other purposes. Traditionally, these investors have had three basic options for generating retirement income:

- A “planned withdrawal program,” in which the investor gradually spends a limited portion of assets over a set period, with the remaining assets invested for long-term retirement goals.
- A “guaranteed income option,” in which the investor turns over assets to an insurance company and purchases an annuity that provides guaranteed income for life.
- A “spend-only-the-income strategy,” in which an investor spends only the dividend and interest income generated by his or her retirement portfolio, leaving the principal intact.

The Managed Payout Fund combines elements of a planned withdrawal program and a spend-only-the-income strategy. The Fund aims to satisfy two basic needs shared by many retirees: first, to generate regular monthly payments to help meet retirement expenses; and second, to preserve retirement savings for future use.

If you are investing through a tax-deferred retirement account, please note that the Fund is not designed to comply with any required minimum distribution rules applicable to such accounts. Shareholders receiving cash distributions from the Fund within such accounts will need to include such distributions as appropriate in the computation of their annual required minimum distribution.

Suited for Investors with Specific Goals
The Managed Payout Fund is expected to suit investors with specific goals.

The Fund is likely to appeal to investors who want to balance a need for a current payout from their assets with the desire to maintain the purchasing power of their payouts and capital over the long term. The Fund has adopted a managed distribution policy with a 4% annual distribution rate that is applied to a hypothetical account value based on the Fund’s average performance over the previous three years. The Fund is expected to provide inflation protection and preservation of invested capital over the long term. For information about the Fund’s managed distribution policy, see Dividends, Capital Gains, and Taxes.
Expectations about future inflation or about the Fund’s future performance or distributions are not a guarantee of future inflation or of the Fund’s actual future performance or distributions. It is possible that an investment in the Fund could lose money over short, intermediate, or long periods of time. Results may vary substantially over time. There is no guarantee that the Fund will achieve its investment objective or that its investment strategies will succeed. It is possible for the Fund’s monthly distributions to increase or decrease from one year to the next over several years because monthly distributions during any calendar year are based on the Fund’s performance over the previous three years. The Fund is not guaranteed to provide a fixed or stable level of cash distributions at any time or over any period of time.

The Fund generally expects to distribute to shareholders substantially all of its net income (e.g., interest and dividends) as well as substantially all of its net long-term and short-term capital gains (e.g., from the sale of its holdings or distributions from other funds it holds). In addition, the Fund’s distributions may be treated, in part, as a return of capital.

The Fund is a fund of funds that invests in other Vanguard funds as well as in non-fund investments.

Plain Talk About Funds of Funds

The term fund of funds is used to describe a mutual fund that pursues its objective by investing in other mutual funds. A fund of funds may charge for its own direct expenses, in addition to bearing a proportionate share of the expenses charged by the underlying funds in which it invests. A fund of funds is best suited for long-term investors.
More on the Fund

This prospectus describes the principal risks you would face as a Fund shareholder. It is important to keep in mind one of the main principles of investing: generally, the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. As you consider an investment in any mutual fund, you should take into account your personal tolerance for fluctuations in the securities markets. Look for this symbol throughout the prospectus. It is used to mark detailed information about the more significant risks that you would confront as a Fund shareholder. To highlight terms and concepts important to mutual fund investors, we have provided Plain Talk® explanations along the way. Reading the prospectus will help you decide whether the Fund is the right investment for you. We suggest that you keep this prospectus for future reference.

The following sections explain the principal investment strategies and policies that the Fund uses in pursuit of its objective. The Fund’s board of trustees, which oversees the Fund’s management, may change investment strategies or policies in the interest of shareholders without a shareholder vote, unless those strategies or policies are designated as fundamental. Note that the Fund’s investment objective is not fundamental and may be changed without a shareholder vote. As a fund of funds, Vanguard Managed Payout Fund achieves its investment objective by investing primarily in other Vanguard mutual funds but also in other potential investments. Through its investments in these underlying funds, and through other investments, the Managed Payout Fund is generally expected to maintain a broadly diversified portfolio.

Plain Talk About Costs of Investing

Costs are an important consideration in choosing a mutual fund. That is because you, as a shareholder, pay a proportionate share of the costs of operating a fund and any transaction costs incurred when the fund buys or sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation a fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a fund’s performance.

Managed Distribution Policy

The Fund has adopted a managed distribution policy under which it seeks to distribute a targeted amount of cash to shareholders on or about the 15th calendar day of each month. The monthly distribution per share for a given calendar year will be calculated as of January 1 of that year and is generally expected to be fixed during the year. This monthly distribution per share, however, will vary from year to year based on the Fund’s performance over the previous three years. The monthly distribution per share for the Fund is based on the account value of a hypothetical account assumed to hold shares of the Fund purchased at inception. It is further assumed that this hypothetical
account experiences the same distributions as the accounts of actual shareholders of
the Fund and that no further purchases, redemptions, or reinvestments are made for
the hypothetical account, except the automatic reinvestment of certain required
distributions in additional shares of the Fund. The shareholders of the Fund are
expected to receive a monthly cash distribution that is equal to the monthly distribution
per share (as in the calculation that follows) multiplied by the number of shares they
own on the record date. The formula to calculate the monthly distribution per share in a
calendar year is as follows:

\[
\text{Monthly distribution per share} = \frac{4\%}{12} \times \frac{\text{Average daily value of hypothetical account over prior three calendar years}}{\text{Number of shares held by hypothetical account at the end of the prior calendar year}}
\]

Please note that the Fund’s managed distribution policy is not designed to generate, and
is not expected to result in, distributions that equal a fixed percentage of the Fund’s
current net asset value per share or a fixed percentage of a shareholder’s current
account value. Instead, Fund shareholders are expected to receive a monthly
distribution that is equal to the monthly distribution per share (as determined under the
distribution formula) multiplied by the number of shares they own on the record date.

The hypothetical account value is averaged over the prior three years in order to
increase the relative predictability and relative stability of distributions to shareholders
from year to year.

For additional information on the Fund’s managed distribution policy, please see
Dividends, Capital Gains, and Taxes.
Asset allocation—that is, dividing your investment among stocks, bonds, cash, and other asset classes or investments—is one of the most critical decisions you can make as an investor. The Managed Payout Fund invests in Vanguard mutual funds and other potential investments according to an asset allocation strategy designed to provide shareholders with regular cash flow from their investments in the Fund. The advisor uses quantitative analysis and professional judgment in an attempt to combine complementary asset classes and investments across the risk/reward spectrum. The advisor’s goal for the Fund is to construct a broadly diversified portfolio that achieves the Fund’s investment objective.

Plain Talk About Acquired Fund Short Sale Borrowing and Dividend Expenses

The Managed Payout Fund is a fund of funds that invests in underlying Vanguard funds (the Acquired Funds) as well as in non-fund investments. Through its investment in Vanguard Alternative Strategies Fund and Vanguard Market Neutral Fund, the Managed Payout Fund may invest in an Acquired Fund that engages in short selling as a principal investment strategy. A short sale occurs when the Acquired Fund sells a stock it does not own and then borrows the stock from a lender in order to settle the transaction. When the Acquired Fund sells short, it will normally incur two types of expenses—borrowing expenses and dividend expenses—both of which increase the Acquired Fund’s expense ratio.

In connection with the short sale, the Acquired Fund may receive income or be charged a fee on borrowed stock. This income or fee is calculated on a daily basis, based upon the market value of the borrowed stock and a variable rate that is dependent upon the availability of the stock. The net amounts of income or fees are recorded as “interest income” (for net income received) or “borrowing expense on securities sold short” (for net fees charged) on the Acquired Fund’s Statement of Operations.

The Acquired Fund incurs dividend expenses until the borrowed stock is returned to the lender. These expenses are paid to the lender of the stock and are based upon the amount of any dividends declared on the stock. Having sold the borrowed stock, the Acquired Fund does not itself collect the dividends, and thus has a net expense payable to the lender. This payment is recorded as “dividend expense on securities sold short” on the Acquired Fund's financial statements. Short sale dividend expenses generally reduce the market value of the stock by the amount of the dividend declared, thus increasing the Acquired Fund’s unrealized gain or reducing the Acquired Fund’s unrealized loss on the stock sold short.
A portfolio manager considers a wide range of strategic inputs, which may include some combination of the following factors (or others): the Fund’s prior performance, value at risk and expected shortfall, volatility, macroeconomic factors, current and expected market conditions, cash flows, estimates of changes in the spreads between the expected returns of eligible asset classes and investments, historical and expected correlations between and among asset classes and investments, quantitative modeling of the likelihood that a proposed combination of asset classes and investments will achieve the Fund’s investment objective, and the results of stress tests. The Fund is managed in accordance with a variety of statistical and compliance-based risk management controls and procedures.

The Fund does not have a fixed asset allocation but has the flexibility, subject to applicable law, to invest substantially in a single asset class or investment. However, the Fund is generally expected to invest its assets across multiple asset classes or investments. The assets of the Fund are allocated based on the Fund’s investment objective. The exact proportion of each asset class or investment held by the Fund may change to reflect shifts in the advisor’s risk-and-return expectations.

Plain Talk About Retirement Investing: Real Returns versus Nominal Returns

In retirement, the primary purpose of your investment portfolio is often to meet current and future spending needs. If you have accumulated adequate retirement savings, it should be relatively easy to generate sufficient cash to satisfy a reasonable level of spending in the near term. It is important, however, to consider the destructive effects that inflation can have on the purchasing power of your retirement portfolio over time. Inflation—the increase in the price of goods and services—can wreak havoc on a long-term investor’s money. Unless the returns of your retirement portfolio keep pace with inflation, your money’s purchasing power will erode over time, with the risk that you may run out of money. Because inflation’s erosion of value increases over time, the longer you expect to live, the more concerned you should be about your retirement portfolio’s future purchasing power.

A retirement investment, then, should be evaluated not only for its expected gross total return (the “nominal” return) but also for its expected total return as reduced to take into account the effects of inflation (the “real” return). (Because every retiree has his or her own personal spending pattern, or “personal inflation rate,” it may not be appropriate to base investment decisions on a broad inflation average, such as the Consumer Price Index (CPI). For example, some services, such as health care, may make up a larger portion of personal spending in retirement and have been increasing in cost at rates exceeding the CPI.) Ideally, a retiree should seek real returns that match his or her expected retirement spending rate plus a reserve for unplanned medical or other expenses.
An investment in the Fund could lose money over short, intermediate, or long periods of time because the Fund allocates its assets worldwide across different asset classes and investments with specific risk and return characteristics. Results may vary substantially over time, and there is no guarantee that the Fund will achieve its investment objective or that any of its investment strategies will succeed.

The Fund is expected to continue to make monthly cash distributions under its managed distribution policy regardless of the Fund’s investment performance. Because these distributions will be made from Fund assets, and shareholders are generally not expected to reinvest such distributions in additional Fund shares, the Fund’s monthly cash distributions will reduce the amount of assets available for investment by the Fund. It is possible for the Fund to suffer substantial investment losses and simultaneously experience additional asset reductions as a result of its distributions to shareholders under the managed distribution policy. Moreover, even if the Fund’s capital grows over short, intermediate, or long periods of time, it is possible that such growth will be insufficient to enable the Fund to maintain the amount of its scheduled cash distributions without returning capital to shareholders.

The Fund’s managed distribution policy is designed to distribute a consistent amount of cash once per month throughout each calendar year, excluding any additional distributions required to comply with applicable law. Under the managed distribution policy, the dollar amount of the Fund’s scheduled monthly distributions for a particular calendar year generally will increase or decrease each January based on the Fund’s performance over the previous three years. Accordingly, the dollar amount of the Fund’s monthly cash distributions could increase or decrease substantially from one year to the next and over time depending on, among other things, the performance of the capital markets in which the Fund invests, the allocation of Fund assets across different asset classes and investments, the performance of the Fund’s investment strategies, and the amount and timing of prior distributions by the Fund. It is also possible for your distributions from the Fund to decrease substantially from one year to the next and over time, depending on the timing of your investments in the Fund. Any redemptions you make from your Fund account also may proportionately reduce the amount of future cash distributions you will receive from the Fund.

Security Selection
The Fund invests in Vanguard mutual funds and other investments according to an asset allocation strategy designed to provide shareholders with regular cash flow from their investments in the Fund.
The Fund is subject to manager risk and asset allocation risk, which are the risks that poor investment selections and/or poor asset allocation decisions by the advisor will cause the Fund to either fail to achieve its investment objective or generate lower returns than were possible from different investment selections and/or asset allocation decisions.

The Fund’s advisor uses quantitative analysis and professional judgment to select the asset classes and investments that make up the Fund’s investment portfolio. In making such decisions, the advisor must, among other things, monitor and evaluate the expected risks, returns, and correlations of eligible assets classes and investments, as well as the likelihood that the selected combination will achieve the Fund’s investment objective. These decisions are based, in part, upon the advisor’s forecasts, estimates, analysis of historical events, and other aspects of quantitative analysis and professional judgment. The advisor’s decisions may, for a variety of reasons, fail to accurately predict the actual risk, returns, and correlations of the asset classes and investments held by the Fund. Among the reasons predictions could be inaccurate are scarcity of historical data about certain asset classes or investments, the fact that future events may not follow historical norms, and the potential for human error. It is possible that the advisor’s allocation of Fund assets across specific asset classes and investments will cause the Fund to incur losses or underperform other funds with a similar investment objective. The underlying Vanguard funds in which the Fund invests also may be subject to manager risk to the extent that an underlying fund advisor’s poor security selection will cause that underlying fund to underperform relevant benchmarks or other funds with similar investment objectives.

There is no guarantee that the advisor will succeed in combining multiple asset classes and investments in a manner that either achieves the Fund’s investment objective or maintains a moderate level of risk. There can be no assurance that any asset classes or investments with relatively low historical correlations to the U.S. stock market will exhibit low correlations in the future. It is possible that the returns and direction of the Fund’s asset classes and investments may suddenly converge with the investment returns of the U.S. stock market, thereby magnifying the risks of the Fund’s portfolio as a whole. This could potentially result in significant losses and significant reductions in the dollar amount of monthly distributions by the Fund. Diversification does not necessarily ensure a profit or protect against a loss in a declining market. The Fund could lose money at any time and may underperform the markets, asset classes, and investments in which it invests during any given period that such markets, asset classes, or investments rise or fall. The Fund’s asset allocation strategy is complex and may involve more risk than other funds that invest only in stocks, bonds, cash, or a combination thereof.
**Stocks**

The Managed Payout Fund may invest in Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, and Vanguard Global Minimum Volatility Fund (and/or other Vanguard stock funds) to capture the investment returns of U.S. and foreign equity markets. The Fund may also invest in Vanguard Real Estate Index Fund to capture the returns of stocks issued by equity real estate investment trusts (known as REITs). As a result, the Managed Payout Fund will indirectly invest, to varying degrees, in large-, mid-, and small-capitalization stocks diversified across growth and value styles in the United States, as well as in stocks of companies located in developed and emerging markets around the world. Certain foreign stocks may be hedged to the U.S. dollar in order to reduce currency volatility. Depending on the amount of Fund assets allocated to stock funds, the Fund is proportionately subject to stock risks.

**U.S. Stocks**

The Fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

The Managed Payout Fund may invest in Vanguard Real Estate Index Fund, which invests primarily in stocks issued by equity REITs. Depending on the amount of Fund assets allocated to Vanguard Real Estate Index Fund, the Fund is proportionately subject to risks associated with an investment in REITs.

Real estate industry risk is the chance that the stocks of REITs will decline because of adverse developments affecting the real estate industry and real property values. Investment style risk is the chance that the returns from REIT stocks—which typically are small- or mid-capitalization stocks—will trail returns from the overall stock market. Historically, REIT stocks have performed quite differently from the overall market.

**Foreign Stocks**

Depending on the amount of Fund assets allocated to foreign stock funds, the Fund is proportionately subject to foreign stock risks.

The Fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund’s investments in foreign stocks can be riskier than U.S. stock investments. Foreign stocks may be more volatile and less liquid than U.S. stocks. The prices of foreign stocks and the prices of U.S. stocks may move in opposite directions.
The Fund is subject to country/regional risk and currency risk. Country/regional risk is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Currency risk is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

The Fund is subject to currency hedging risk, which is the chance that the currency hedging transactions entered into by an underlying fund may not perfectly offset the fund’s foreign currency exposure. For example, the fund will decline in value if it underhedges a currency that has weakened or overhedges a currency that has strengthened relative to the U.S. dollar.

The Fund is subject to emerging markets risk, which is the chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets because, among other factors, emerging markets can have greater custodial and operational risks; less developed legal, tax, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

Plain Talk About International Investing

U.S. investors who invest in foreign securities will encounter risks not typically associated with U.S. companies because foreign stock and bond markets operate differently from the U.S. markets. For instance, foreign companies and governments may not be subject to the same or similar accounting, auditing, legal, tax, and financial reporting standards and practices as U.S. companies and the U.S. government, and their stocks and bonds may not be as liquid as those of similar U.S. entities. In addition, foreign stock exchanges, brokers, companies, bond markets, and dealers may be subject to less government supervision and regulation than their counterparts in the United States. These factors, among others, could negatively affect the returns U.S. investors receive from foreign investments.

• Bonds

The Managed Payout Fund may invest in Vanguard Total Bond Market II Index Fund, Vanguard Intermediate-Term Investment-Grade Fund, and Vanguard Total International Bond Index Fund (and/or other Vanguard bond funds) to capture the investment returns of U.S. and foreign fixed income markets. Through its investments in one or more Vanguard bond funds, the Fund will indirectly invest, to varying degrees, in a
wide spectrum of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure). Depending on the amount of Fund assets allocated to bond funds, the Fund is proportionately subject to bond risks.

The Fund is subject to interest rate risk, which is the chance that bond prices will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because the underlying bond funds invest primarily in short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.

Although bonds are often thought to be less risky than stocks, there have been periods when bond prices have fallen significantly because of rising interest rates. For instance, prices of long-term bonds fell by almost 48% between December 1976 and September 1981.

To illustrate the relationship between bond prices and interest rates, the following table shows the effect of a 1% and a 2% change (both up and down) in interest rates on the values of three noncallable bonds (i.e., bonds that cannot be redeemed by the issuer) of different maturities, each with a face value of $1,000.

How Interest Rate Changes Affect the Value of a $1,000 Bond¹

<table>
<thead>
<tr>
<th>Type of Bond (Maturity)</th>
<th>After a 1% Increase</th>
<th>After a 1% Decrease</th>
<th>After a 2% Increase</th>
<th>After a 2% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term (2.5 years)</td>
<td>$977</td>
<td>$1,024</td>
<td>$954</td>
<td>$1,049</td>
</tr>
<tr>
<td>Intermediate-Term (10 years)</td>
<td>922</td>
<td>1,086</td>
<td>851</td>
<td>1,180</td>
</tr>
<tr>
<td>Long-Term (20 years)</td>
<td>874</td>
<td>1,150</td>
<td>769</td>
<td>1,328</td>
</tr>
</tbody>
</table>

¹ Assuming a 4% coupon rate.

These figures are for illustration only; you should not regard them as an indication of future performance of the bond market as a whole or the Fund in particular.
Plain Talk About Bonds and Interest Rates

As a rule, when interest rates rise, bond prices fall. The opposite is also true: Bond prices go up when interest rates fall. Why do bond prices and interest rates move in opposite directions? Let’s assume that you hold a bond offering a 4% yield. A year later, interest rates are on the rise and bonds of comparable quality and maturity are offered with a 5% yield. With higher-yielding bonds available, you would have trouble selling your 4% bond for the price you paid—you would probably have to lower your asking price. On the other hand, if interest rates were falling and 3% bonds were being offered, you should be able to sell your 4% bond for more than you paid.

How mortgage-backed securities are different: In general, declining interest rates will not lift the prices of mortgage-backed securities—such as those guaranteed by the Government National Mortgage Association—as much as the prices of comparable bonds. Why? Because when interest rates fall, the bond market tends to discount the prices of mortgage-backed securities for prepayment risk—the possibility that homeowners will refinance their mortgages at lower rates and cause the bonds to be paid off prior to maturity. In part to compensate for this prepayment possibility, mortgage-backed securities tend to offer higher yields than other bonds of comparable credit quality and maturity. In contrast, when interest rates rise, prepayments tend to slow down, subjecting mortgage-backed securities to extension risk—the possibility that homeowners will repay their mortgages at slower rates. This will lengthen the duration or average life of mortgage-backed securities held by a fund and delay the fund’s ability to reinvest proceeds at higher interest rates, making the fund more sensitive to changes in interest rates.

The Fund is subject to income risk, which is the chance that an underlying fund’s income will decline because of falling interest rates. A fund holding bonds will experience a decline in income when interest rates fall because the fund then must invest new cash flow and cash from maturing bonds in lower-yielding bonds. Income risk is generally higher for funds holding short-term bonds and lower for funds holding long-term bonds.

The Fund is subject to call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. If an underlying fund holds a bond that is called, the underlying fund would then lose any price appreciation above the bond’s call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund’s income.
The Fund is subject to credit risk, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer’s ability to make such payments will cause the price of that security to decline, thus reducing an underlying fund’s return. Although the Fund has limited exposure to low-quality bonds (through its investment in Vanguard Intermediate-Term Investment-Grade Fund), overall credit risk should be low for the Fund because the underlying bond funds invest primarily in bonds that are considered high-quality and, to a lesser extent, in bonds that are considered medium-quality.

The Fund is subject, to a limited extent, to event risk, which is the chance that corporate fixed income securities will suffer a substantial decline in credit quality and market value because of a corporate restructuring.

Plain Talk About Bond Maturities

A bond is issued with a specific maturity date—the date when the issuer must pay back the bond’s principal (face value). Bond maturities range from less than 1 year to more than 30 years. Typically, the longer a bond’s maturity, the more price risk you, as a bond investor, will face as interest rates rise—but also the higher the potential yield you could receive. Longer-term bonds are more suitable for investors willing to take a greater risk of price fluctuations to get higher and more stable interest income. Shorter-term bond investors should be willing to accept lower yields and greater income variability in return for less fluctuation in the value of their investment. The stated maturity of a bond may differ from the effective maturity of a bond, which takes into consideration that an action such as a call or refunding may cause bonds to be repaid before their stated maturity dates.

Depending on the amount of assets allocated to Vanguard Total International Bond Index Fund, the Fund is proportionately subject to risks associated with investing in currency-hedged foreign bonds. These risks include country/regional risk and currency hedging risk. Country/regional risk is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign governments, government agencies, or companies. Currency hedging risk is the chance that the currency hedging transactions entered into by the underlying international bond fund may not perfectly offset the fund’s foreign currency exposure.
• **Short-Term Investments**

The Managed Payout Fund may invest a portion of its assets in a Vanguard money market fund that invests in high-quality, short-term money market instruments.

*Although designed as low risk investments, money market instruments, like most bonds, are subject to income risk and credit risk.*

• **Inflation-Linked Investments**

The Managed Payout Fund may invest in Vanguard Inflation-Protected Securities Fund and Vanguard Short-Term Inflation-Protected Securities Index Fund (and/or other Vanguard inflation-protected securities funds) to capture the investment returns of inflation-indexed securities issued by the U.S. government, its agencies and instrumentalities, and corporations.

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**Plain Talk About Inflation-Indexed Securities**

Unlike a conventional bond, whose issuer makes regular fixed interest payments and repays the face value of the bond at maturity, an inflation-indexed security (IIS) provides principal and interest payments that are adjusted over time to reflect a rise (inflation) or a drop (deflation) in the general price level for goods and services. This adjustment is a key feature, given that inflation has typically occurred. However, there have been periods of deflation, such as in 1954 when the Consumer Price Index (CPI) declined by 0.7%. (Source: Bureau of Labor Statistics.) Importantly, in the event of deflation, the U.S. Treasury has guaranteed that it will repay at least the face value of an IIS issued by the U.S. government. However, if an IIS is purchased by a fund at a premium, deflation could cause a fund to experience a loss.

Inflation measurement and adjustment for an IIS have two important features. There is a two-month lag between the time that inflation occurs in the economy and when it is factored into IIS valuations. This is due to the time required to measure and calculate the CPI and for the U.S. Treasury to adjust the inflation accrual schedules for an IIS. For example, inflation that occurs in January is calculated and announced during February and affects IIS valuations throughout the month of March. In addition, the inflation index used is the nonseasonally adjusted index. It differs from the CPI that is reported by most news organizations, which is statistically smoothed to overcome highs and lows observed at different points each year. The use of the nonseasonally adjusted index can cause a fund’s income level to fluctuate.
Depending on the amount of assets allocated to inflation-protected securities funds, the Fund is proportionately subject to the risks associated with investing in inflation-indexed securities. These risks include the chance of considerable income fluctuations associated with changes in inflation, as well as bond risks.

Plain Talk About Inflation-Indexed Securities and Interest Rates

Interest rates on conventional bonds have two primary components: a “real” yield and an increment that reflects investor expectations of future inflation. By contrast, interest rates on an IIS are adjusted for inflation and, therefore, are not affected meaningfully by inflation expectations. This leaves only real rates to influence the price of an IIS. A rise in real rates will cause the price of an IIS to fall, while a decline in real rates will boost the price of an IIS.

• Other Investments

The Managed Payout Fund may invest in selected other investments that employ strategies that have historically generated capital appreciation over the long term while exhibiting low correlation with the returns of the U.S. stock market. The advisor believes that the expected return characteristics of these other investments offer potential diversification to a balanced portfolio of stocks, bonds, and cash. The Fund’s potential other investments may include commodity-linked and subsidiary investments and investments in Vanguard Market Neutral Fund and Vanguard Alternative Strategies Fund. These investments are described on the following pages.

Commodity-Linked Investments and Subsidiary Investments

The Fund may allocate a portion of its assets to investments that create exposure to the commodity markets, including investments that provide exposure to the total return of a diversified basket of exchange-traded futures contracts on physical commodities. Commodities include real assets such as agricultural products, livestock, precious and industrial metals, and energy products. Commodity futures prices have a historically low correlation with the returns of the stock and bond markets. Particular commodity-linked investments may not necessarily conform to the composition, weighting, roll dates, reset dates, or contract months of any particular commodity futures market index.

The Fund may obtain exposure to the commodity markets by investing directly in certain commodity-linked investments or indirectly through a wholly owned subsidiary organized under the laws of the Cayman Islands, which in turn invests in commodity-linked investments and fixed income securities. The subsidiary’s underlying investments are subject to the same risks as if they were held directly by the Fund. The Fund’s direct and indirect commodity-linked investments may include
commodity-linked total return swaps, commodity futures contracts, options on commodity futures contracts, commodity-linked structured notes, exchange-traded commodity pools or funds, and other commodity-linked instruments.

In addition, to the extent the Fund invests in Vanguard Alternative Strategies Fund, it will be indirectly subject to commodity-linked investment, subsidiary investment, tax, manager, and other risks as described in this prospectus. Vanguard Alternative Strategies Fund also can invest directly in commodity-linked investments or indirectly in those investments through its own wholly owned subsidiary organized under the laws of the Cayman Islands.

Plain Talk About Commodities

Commodities are raw materials used to create the goods that consumers buy. They include a wide range of physical assets, such as agricultural products, livestock, precious metals, energy products, and industrial metals. Commodities can be purchased for immediate delivery (“on the spot”) or delivery within a specific time period in the future under the terms of a futures contract. An exchange-traded commodity futures contract provides for the purchase and sale of a specified type and quantity of a commodity during a stated delivery month. A futures contract on an index of commodities provides for the payment and receipt of cash based on the level of the index at settlement or liquidation of the contract. Unlike equity securities, futures contracts, by their terms, have stated expirations, and at a specified time prior to expiration, trading in a futures contract for the current delivery month will cease. As a result, an investor wishing to maintain exposure to a futures contract on a particular commodity with the nearest expiration must close out a position in the expiring contract and establish a new position in the contract for the next delivery month. This process is referred to as “rolling.” An investor will profit from rolling a futures contract if the cost for the new contract is lower than the cost of the expiring contract. Conversely, an investor will lose money by rolling a futures contract if the cost for the new contract is higher than the cost of the expiring contract.

Depending on the amount of Fund assets allocated to investments that create exposure to commodity-linked investments, the Fund is proportionately subject to the risks associated with investing in those investments, which can include commodity futures trading risk, counterparty risk, derivatives risk, and tax risk.

Commodity futures trading risk is the chance that the Fund could lose all, or substantially all, of its investments in instruments linked to the returns of commodity futures. Commodity futures trading is volatile, and even a small movement in market prices could cause large losses.
The prices of commodity futures are subject to change based on various factors, including, but not limited to, the following: lack of liquidity; global supply and demand for commodities; disorderly markets; limitations on deliverable supplies; the participation of hedgers and speculators; domestic and foreign interest rates and investors’ expectations concerning interest rates; domestic and foreign inflation rates and investors’ expectations concerning inflation rates; investment and trading activities of institutional investors; global or regional political, economic, or financial events and situations; government regulation and intervention; technical and operational or system failures; nuclear accident; terrorism; and natural disasters.

Derivatives risk is the risk associated with the use of futures contracts, options on futures contracts, options on securities, swap agreements, warrants, forward contracts, and other derivatives. Investments in derivatives may involve risks different from, and possibly greater than, those of investments directly in the underlying securities or assets.

Losses involving certain derivatives can sometimes be substantial or even greater than the principal amount invested—in part because a relatively small price movement in such derivatives may result in an immediate and substantial loss to the investor. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying securities, assets, reference rates, or indexes. The market for many derivatives is, or can suddenly become, illiquid, which may result in significant, rapid, and unpredictable changes in the prices for derivatives.

The use of certain derivatives subjects the investor to counterparty risk, which is the risk of nonperformance by the counterparty, potentially resulting in delayed or partial payment or even nonpayment of amounts due under the derivative contract. There are typically contractual remedies that may be pursued under a derivatives agreement in the event of default by a counterparty. The underlying fund’s subsidiary and the Fund’s subsidiary each expect to hold margin or collateral to secure the obligations of a counterparty in an effort to mitigate this risk.
Tax risk is the chance that the Fund’s commodity-linked investments could adversely affect the Fund’s regulated investment company status.

The Fund’s ability to make direct and indirect investments in some of the commodity-related investments previously described, including in the wholly owned subsidiary, is limited by the Fund’s intention to qualify as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the IRC), including the requirement that 90% of the Fund’s gross income for each taxable year constitute “qualifying income.” The Fund generally intends to gain direct or indirect exposure to the commodity markets through investments that generate qualifying income under the IRC by investing directly in commodity-linked investments the Fund believes give rise to qualifying income or by investing indirectly in commodity-linked investments through the subsidiary. However, if the Fund does not appropriately limit its investments in the subsidiary or in commodity-related investments or if the investments (or the income earned on the investments) are recharacterized for U.S. tax purposes, the Fund’s status as a RIC may be jeopardized. Moreover, any recharacterization of these investments (or the income earned on these investments) may be retroactive. If the Fund were to fail to qualify as a RIC in any taxable year, the Fund would be subject to Fund-level taxation, reducing the amount of income available for distribution to shareholders and reducing the net asset value of its shares.

Subsidiary Investments. The Fund may obtain exposure to the commodity markets by investing directly in certain commodity-linked investments or indirectly through investment in a wholly owned subsidiary. The Fund will be indirectly exposed to the risks associated with the subsidiary’s underlying investments. The subsidiary invests in commodity-linked investments, which may include total return swaps on a commodity futures index as well as fixed income securities. The subsidiary’s fixed income investments may include, but are not limited to, cash instruments, U.S. Treasury...
securities, money market instruments, and short-term bonds. Fixed income investments provide liquidity for the subsidiary and may serve as margin or collateral for the subsidiary’s commodity-linked investments. The subsidiary’s underlying investments subject the Fund to the same risks as if they were held directly by the Fund and are described elsewhere in this prospectus under Bonds, Short-Term Investments, and Commodity-Linked Investments and Subsidiary Investments. The subsidiary is organized under the laws of the Cayman Islands and is advised by Vanguard. The investment strategy of the subsidiary is intended to enable the Fund to obtain commodities exposure in accordance with the requirements under the IRC applicable to RICs. In addition, under the IRC, the Fund may not invest more than 25% of its assets in its subsidiary. Special tax risks associated with the Fund’s investment in the subsidiary are previously described. The subsidiary will not be organized as a mutual fund that is registered under any federal or state securities laws, including the Investment Company Act of 1940.

Subsidiary investment risk includes the risk that because a subsidiary is not registered under any federal or state securities laws, it does not offer the same investor protections available to shareholders of registered investment companies.

There is no assurance that the Fund will be permitted to continue to invest indirectly in commodity-linked investments through a subsidiary. Changes in the laws or regulations, or interpretations of existing laws or regulations, of the United States and/or the jurisdiction of the subsidiary could limit the Fund’s ability to invest in the subsidiary, impact the way in which the subsidiary operates, increase the subsidiary’s expenses, or otherwise adversely affect the Fund and/or the subsidiary. Moreover, the changes may be retroactive. For example, the subsidiary intends to operate in a manner that the Fund’s qualifying income requirement is met under current U.S. tax law. However, there is no assurance that future changes in this law, or interpretations of this law, will not adversely affect the Fund. Also, although the subsidiary is not expected to owe income or other taxes in its jurisdiction of organization, if that jurisdiction’s tax laws were changed and the subsidiary was required to pay taxes, the Fund’s investment returns may decrease.

Manager risk is the chance that poor strategy execution will cause the subsidiary to fail to achieve its investment objective.

The subsidiary’s success will depend on its advisor’s ability to successfully invest in commodity-linked investments such as commodity futures and commodity-linked swaps and to invest the subsidiary’s assets in a combination of other fixed income investments. The subsidiary is subject to the risk that it will not be successful in executing this strategy, and there is no guarantee that the subsidiary will achieve its investment objective. The subsidiary could lose money at any time.
Market Neutral Fund
The Managed Payout Fund may invest in Vanguard Market Neutral Fund, which seeks to provide long-term capital appreciation while limiting exposure to general stock market risk. Vanguard, the Market Neutral Fund’s advisor, selects and maintains a diversified portfolio of common stocks for the fund. The advisor employs active investment management methods, which means that securities are bought and sold according to the advisor’s evaluations of companies and their financial prospects, the prices of the securities, and the stock market and the economy in general. The Market Neutral Fund follows a market neutral strategy, which that fund defines as a strategy designed to produce a portfolio that is neutral with respect to general stock market risk (sometimes referred to as beta neutrality). Beta is a measure of a portfolio’s volatility relative to the volatility of the general stock market. The Market Neutral Fund, as a whole, does not seek to adhere to any other definition of market neutrality. By taking long and short positions in different securities, the Market Neutral Fund attempts to limit the effect of market movements on portfolio performance. The advisor for the Market Neutral Fund may, at any time, buy or sell short any number of publicly traded, exchange-listed equity securities and may emphasize specific industries, styles (growth/value), capitalization ranges, countries, or other factors. The overall performance of the Market Neutral Fund depends on the net performance of its long and short positions, and it is possible for that fund to experience a net loss across all positions. If the Market Neutral Fund’s investment strategy is successful, however, the net performance of its long and short positions will produce long-term capital appreciation that reflects the quality of the advisor’s security selections, with limited exposure to general stock market risk.
Plain Talk About Market Neutral Investing

The goal of market neutral investing is to generate returns that are independent of the returns and direction of the stock market (called beta) and driven largely by the value added by the advisor’s skill in selecting stocks (called alpha). A portfolio that has the same volatility as that of the general stock market has a beta of 1. If a portfolio has a beta less than 1, the portfolio is less volatile than the general stock market. On the other hand, a portfolio that has a beta greater than 1 is more volatile than the general stock market. For instance, if a portfolio has a beta of 1.1, it is expected to move 1.1 times the movement of the general stock market. So, if the general stock market increases 10%, the portfolio’s expected return over the same period would be 11%. A market neutral portfolio could hold, for example, long positions with a beta of 0.5 and short positions with a beta of −0.5, which would render the portfolio market neutral.

Market neutral investing is often implemented through a long/short portfolio of investments in publicly traded stocks. The advisor buys what it believes are attractive (or undervalued) stocks for the long portion of the portfolio and sells what it believes are unattractive (or overvalued) stocks for the short portion of the portfolio, in amounts it believes will achieve market neutrality. The long portion of the portfolio is expected to deliver the overall returns of the stock market, plus additional performance unique to the specific stocks purchased by the advisor. The short portion of the portfolio is expected to deliver the inverse of the overall returns of the stock market, plus additional performance unique to the specific stocks the advisor sold short. The long and short positions can have risk exposures significantly different from those of the general stock market. The larger these risk differences, the more the performance of the portfolio will differ from that of the general stock market. The market exposure of the combined long and short positions is expected to cancel out, producing a net stock market return close to zero, plus or minus the alpha added by the advisor’s stock selection process. Market neutral investing is sometimes called an “absolute return” strategy because it seeks positive returns, whether the stock market goes up or down, although many market neutral funds have experienced periods of negative returns. Market neutral funds will generally underperform more traditional (long-only) stock portfolios during periods of significant market appreciation.

Depending on the amount of assets allocated to Vanguard Market Neutral Fund, the Fund is proportionately subject to risks associated with market neutral investing, including strategy risk, short-selling risk, manager risk, and investment risk (each described on the following pages), as well as country risk and currency risk (both previously described under Foreign Stocks).
Strategy risk is the chance that the long/short market neutral investment strategy used by the Market Neutral Fund will not succeed. There is no guarantee that the fund will be able to limit exposure to general stock market risk or produce returns that exceed the returns of 3-month U.S. Treasury bills.

An underlying fund’s use of short sales in combination with its long positions may not be successful and may result in greater losses or lower positive returns than if the fund held only long positions.

Short-selling risk is the chance that an underlying fund will lose money in connection with its short sales of securities or other instruments.

Short selling allows an investor to profit from declines in the prices of securities or other instruments the investor does not own. To engage in an equity short sale, an underlying fund sells a security that it does not own and borrows, for a fee, securities to meet its settlement obligation. There is no guarantee that the price of the borrowed securities will decline; in fact, it may rise. Short selling of equity securities involves higher transaction costs than long-only investing, which could offset any gains and increase any losses. To generate cash to close out a short position, an underlying fund may have to sell a related long position at disadvantageous times to produce cash to unwind a short position. An underlying fund’s loss on a short sale is theoretically unlimited, because there is no limit on the price appreciation a borrowed security or instrument sold short could attain.

Manager risk is the chance that poor security selection or strategy execution will cause the Market Neutral Fund to fail to achieve its investment objective or to underperform other funds with a similar investment strategy.

The advisor’s security selection process may not eliminate all stock market risk factors associated with the long and short positions it establishes for the fund. It is possible that the stocks the fund holds long will decline in value at the same time that the stocks it holds short increase in value, thereby increasing potential losses to the fund. Any gain from a short position may be partially or totally offset by a decline in a long position, or vice versa.

Investment risk is the chance that the Market Neutral Fund’s advisor will take positions in securities, intentionally or unintentionally, that increase the fund’s sensitivity to certain investment factors.

These factors may include, but are not limited to, market capitalization ranges, styles (growth/value), and industries of the underlying securities. These factors may cause the fund to fail to achieve its investment objective of limiting exposure to general stock market risk or cause it to underperform other funds with a similar investment strategy.
Plain Talk About Equity Short Sales

A short sale of an equity security is the sale of a security that the seller does not own. In order to deliver the security to the purchaser, the short seller borrows the security, typically from a broker-dealer or an institutional investor, for a fee. The short seller later closes out the position by returning the security to the lender, typically by purchasing the same security on the open market. A short sale theoretically carries the risk of an unlimited loss, because the price of the underlying security could increase without limit, thus increasing the cost of buying that security to cover the short position. In addition, there can be no assurance that the security needed to cover a short position will be available for purchase. Also, the purchase of a security to close out the short position can itself cause the price of the security to rise further, thereby exacerbating the loss. Short selling is often used to profit from an expected downward price movement in a security.

Alternative Strategies Fund
The Managed Payout Fund may invest in Vanguard Alternative Strategies Fund, which seeks to generate returns that have low correlation with the returns of the stock and bond markets and that are less volatile than the overall U.S. stock market. Vanguard, the Alternative Strategies Fund’s advisor, manages each strategy through the use of a systematic process that was developed and managed by Vanguard’s Alpha Equity Investment team and is continually evolving. All potential enhancements to the process go through rigorous peer vetting and validation before being implemented. The Alternative Strategies Fund’s investments may include, but are not limited to, the following: equities; fixed income instruments; options; foreign currency exchange forward contracts; futures, including commodity and U.S. Treasury futures; and swaps. The Alternative Strategies Fund gains exposure to these instruments by investing directly in the instruments, or indirectly by investing in a subsidiary that invests in the instruments. The Alternative Strategies Fund may invest in selected other investments that the advisor believes have attractive expected risk/return characteristics and that are compatible with the existing strategies of the fund.
Plain Talk About Absolute Return Investing

Conventional approaches to investing money seek to either track or exceed the performance of a particular asset or sub-asset class. An absolute return approach to investing, however, seeks capital appreciation over the long term while exhibiting low correlation with the returns of traditional capital markets. During periods of falling or rising stock prices, an absolute return investment may generate returns that are markedly different from the returns of the stock market, for better or worse. Some absolute return strategies are designed to take advantage of disparities or inefficiencies in different markets or to benefit from cyclical relationships or special situations. Certain absolute return strategies may be designed to systematically capture risk premiums across the financial markets by offering risk transfer opportunities to market participants. Other absolute return strategies can be designed to capture mispricings across asset classes that have historically positive long-term returns while exhibiting low correlation with stock market returns. Generally speaking, an absolute return approach to investing places a premium on manager insight, effective execution, and disciplined risk controls. Absolute return strategies can use a high degree of implicit or explicit leverage, which introduces the potential for a substantial loss of invested capital over short periods of time.

Absolute return investing is complex and may involve greater risk than investing in a traditional portfolio of stocks, bonds, and cash. There is no guarantee that the performance of the Alternative Strategies Fund will have low correlation with the returns of traditional capital markets. It is possible that the Alternative Strategies Fund’s investment returns may converge with the investment returns of equity or fixed income markets during a period of declining stock prices, thereby eliminating the diversification benefit that the advisor expects from the strategies. During these times, the strategies’ correlations could increase, which in turn could increase the Alternative Strategies Fund's overall volatility.

Depending on the amount of Fund assets that may be allocated to the Alternative Strategies Fund, the Managed Payout Fund will be proportionately subject to risks associated with an investment in the Alternative Strategies Fund. These risks are expected to include leverage risk, manager risk, currency risk, liquidity risk, and leverage-financing risk (each described on the following pages), as well as stock risks, bond risks, short-selling risk, commodity-linked investment and subsidiary investment risk, tax risk, and derivatives risk (each previously described).
Leverage risk is the chance that any leveraged losses will exceed the principal amount invested by the underlying fund. Returns from a leveraged investment have the potential to be more volatile than returns from traditional stock and bond investments, which exposes the underlying fund to heightened risks.

Leverage exists when an investor has the right to a return on a total investment amount that exceeds the cash amount the investor contributed to the investment. Leverage magnifies the effect of gains and losses. The Alternative Strategies Fund’s losses from its leveraged investments could be considerable.

Manager risk is the chance that poor investment selections will cause an underlying fund to either fail to achieve its investment objective or generate lower returns than were possible from different investment selections.

Currency risk is the chance that the Alternative Strategies Fund could suffer losses from currency-related investments. For example, if positions the Alternative Strategies Fund holds long decline in value and/or positions the fund holds short increase in value, then the Alternative Strategies Fund could incur a loss. Currency prices can be highly volatile, and trading currencies for non-hedging purposes is generally considered speculative and involves a high risk of a substantial loss of invested capital.

Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including, but not limited to, changes in interest rates, impositions of currency controls, devaluation of a currency by a country’s government or banking authority, or political developments in the United States or abroad.

Liquidity risk is the chance that the markets, assets, and instruments in which the Alternative Strategies Fund invests are, or may become, illiquid.

Vanguard expects that the Alternative Strategies Fund generally will seek to invest in liquid markets, assets, and instruments, although the fund may have the ability to invest a portion of its assets in markets, assets, or instruments that are or may become illiquid. In addition, Vanguard expects to treat any investment in the Alternative Strategies Fund as liquid. There is no assurance that investments that were liquid when purchased will not suddenly become illiquid for an indefinite period of time.

Leverage-financing risk is the chance that the Alternative Strategies Fund will be unable to access and maintain financing sufficient to leverage its investments to targeted levels.

The Alternative Strategies Fund will require the use of leverage in order for its strategies to reach targeted volatility levels. It is possible that the prime broker or other counterparties that finance the leverage employed by the Alternative Strategies
Fund may not be able or willing to provide the level of financing that the advisor believes is required to achieve its volatility targets.

Other Investment Policies and Risks
Although the Fund actively allocates its assets principally among some combination of stocks (including stocks issued by REITs), bonds, cash, inflation-linked investments, and selected other investments, the Fund may make other kinds of investments to achieve its objective.

The Fund may invest up to 15% of its net assets in illiquid securities. Illiquid securities are investments that a fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. Restricted securities are a special type of illiquid security; these securities have not been publicly issued and legally can be resold only to qualified buyers. From time to time, the board of trustees may determine that particular restricted securities are not illiquid, and those securities may then be purchased by the Fund without limit.

The Fund may invest in derivatives only if the expected risks and rewards of the derivatives are consistent with the investment objective, policies, strategies, and risks of the Fund as disclosed in this prospectus. In particular, derivatives will be used when they may help the advisor to accomplish one or more of the following:

- Invest in eligible asset classes or investments with greater efficiency and lower cost than is possible through direct investment.
- Add value when these instruments are attractively priced.
- Hedge specific risk factors associated with eligible asset classes or investments or with the investment portfolio as a whole.
- Reduce the potential volatility of the investment portfolio as a whole.
- Minimize the risk of loss.

The Fund’s derivative investments may include futures contracts, options on futures contracts, options on securities or securities indexes, credit default swaps, interest rate swaps, total return swaps, foreign currency exchange forward contracts, and other derivatives.

The Fund may invest a portion of its assets in direct holdings of investment-grade fixed income securities, high-quality money market instruments, and cash. The primary purpose of these investments is to enable the Fund to satisfy margin deposit, collateralization, and/or segregation obligations associated with its use of derivatives.

The Fund may invest a small portion of assets in shares of stock or bond exchange-traded funds (ETFs). ETFs provide returns similar to those of stocks or bonds. The advisor may purchase ETFs when doing so will reduce the Fund’s transaction costs,
facilitate cash management, or have the potential to add value because the instruments are favorably priced. Vanguard receives no additional revenue from Fund assets invested in ETF Shares of other Vanguard funds. Fund assets invested in ETF Shares are excluded when allocating to the Fund its share of the costs of Vanguard operations.

Cash Management
The Fund’s daily cash balance may be invested in Vanguard Market Liquidity Fund and/or Vanguard Municipal Cash Management Fund (each, a CMT Fund), which are low-cost money market funds. When investing in a CMT Fund, the Fund bears its proportionate share of the expenses of the CMT Fund in which it invests. Vanguard receives no additional revenue from Fund assets invested in a CMT Fund.

Methods Used to Meet Redemption Requests
Under normal circumstances, the Fund typically expects to meet redemptions with positive cash flows. When this is not an option, the Fund seeks to maintain its risk exposure by selling a cross section of the Fund’s holdings to meet redemptions, while also factoring in transaction costs. Additionally, the Fund may work with larger clients to implement their redemptions in a manner that is least disruptive to the portfolio; see “Potentially disruptive redemptions” under Redeeming Shares in the Investing With Vanguard section.

Under certain circumstances, including under stressed market conditions, there are additional tools that the Fund may use in order to meet redemptions, including advancing the settlement of market trades with counterparties to match investor redemption payments or delaying settlement of an investor’s transaction to match trade settlement within regulatory requirements. The Fund may also suspend payment of redemption proceeds for up to seven days; see “Emergency circumstances” under Redeeming Shares in the Investing With Vanguard section. Additionally under these unusual circumstances, the Fund may borrow money (subject to certain regulatory conditions and if available under board-approved procedures) through an interfund lending facility or through a bank line-of-credit, including a joint committed credit facility, in order to meet redemption requests.

Temporary Investment Measures
The Fund may temporarily depart from its normal investment policies and strategies when the advisor believes that doing so is in the Fund’s best interest, so long as the strategy or policy employed is consistent with the Fund’s investment objective. For instance, the Fund may invest beyond its normal limits in derivatives or exchange-traded funds that are consistent with the Fund’s investment objective when those instruments are more favorably priced or provide needed liquidity, as might be the
case if the Fund is transitioning assets from one advisor to another or receives large cash flows that it cannot prudently invest immediately.

In addition, the Fund may take temporary defensive positions that are inconsistent with its normal investment policies and strategies—for instance, by allocating substantial assets to cash equivalent investments or other less volatile instruments—in response to adverse or unusual market, economic, political, or other conditions. In doing so, the Fund may succeed in avoiding losses but may otherwise fail to achieve its investment objective.

Frequent Trading or Market-Timing

Background. Some investors try to profit from strategies involving frequent trading of mutual fund shares, such as market-timing. For funds holding foreign securities, investors may try to take advantage of an anticipated difference between the price of the fund’s shares and price movements in overseas markets, a practice also known as time-zone arbitrage. Investors also may try to engage in frequent trading of funds holding investments such as small-cap stocks and high-yield bonds. As money is shifted into and out of a fund by a shareholder engaging in frequent trading, the fund incurs costs for buying and selling securities, resulting in increased brokerage and administrative costs. These costs are borne by all fund shareholders, including the long-term investors who do not generate the costs. In addition, frequent trading may interfere with an advisor’s ability to efficiently manage the fund.

Policies to address frequent trading. The Vanguard funds (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) do not knowingly accommodate frequent trading. The board of trustees of each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) has adopted policies and procedures reasonably designed to detect and discourage frequent trading and, in some cases, to compensate the fund for the costs associated with it. These policies and procedures do not apply to ETF Shares because frequent trading in ETF Shares generally does not disrupt portfolio management or otherwise harm fund shareholders. Although there is no assurance that Vanguard will be able to detect or prevent frequent trading or market-timing in all circumstances, the following policies have been adopted to address these issues:

• Each Vanguard fund reserves the right to reject any purchase request—including exchanges from other Vanguard funds—without notice and regardless of size. For example, a purchase request could be rejected because the investor has a history of frequent trading or if Vanguard determines that such purchase may negatively affect a fund’s operation or performance.

• Each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) generally
prohibits, except as otherwise noted in the Investing With Vanguard section, an investor’s purchases or exchanges into a fund account for 30 calendar days after the investor has redeemed or exchanged out of that fund account.

- Certain Vanguard funds charge shareholders purchase and/or redemption fees on transactions.

See the Investing With Vanguard section of this prospectus for further details on Vanguard's transaction policies.

Each Vanguard fund (other than retail and government money market funds), in determining its net asset value, will use fair-value pricing when appropriate, as described in the Share Price section. Fair-value pricing may reduce or eliminate the profitability of certain frequent-trading strategies.

Do not invest with Vanguard if you are a market-timer.

Turnover Rate
Although the Fund generally seeks to invest for the long term, it may sell shares of the underlying funds regardless of how long they have been held. The Financial Highlights section of this prospectus shows historical turnover rates for the Fund. A turnover rate of 100%, for example, would mean that the Fund had sold and replaced shares of the underlying funds valued at 100% of its net assets within a one-year period.

Plain Talk About Turnover Rate
Before investing in a mutual fund, you should review its turnover rate. This rate gives an indication of how transaction costs, which are not included in the fund’s expense ratio, could affect the fund’s future returns. In general, the greater the volume of buying and selling by the fund, the greater the impact that brokerage commissions, dealer markups, and other transaction costs will have on its return. Also, funds with high turnover rates may be more likely to generate capital gains, including short-term capital gains, that must be distributed to shareholders and will be taxable to shareholders investing through a taxable account.

The Fund and Vanguard
The Fund is a member of The Vanguard Group, a family of over 200 funds holding assets of approximately $4.5 trillion. All of the funds that are members of The Vanguard Group (other than funds of funds) share in the expenses associated with administrative services and business operations, such as personnel, office space, and equipment.
Vanguard Marketing Corporation provides marketing services to the funds. Although fund shareholders do not pay sales commissions or 12b-1 distribution fees, each fund (other than a fund of funds) or each share class of a fund (in the case of a fund with multiple share classes) pays its allocated share of the Vanguard funds’ marketing costs.

According to an agreement applicable to the Fund and Vanguard, the Fund’s direct expenses will be offset by Vanguard for (1) the Fund’s contributions to the costs of operating the underlying Vanguard funds in which the Fund invests and (2) certain savings in administrative and marketing costs that Vanguard expects to derive from the Fund’s operation.

The Fund’s trustees believe that the offsets should be sufficient to cover most, if not all, of the direct expenses incurred by the Fund. As a result, the Fund is expected to operate at a very low or zero direct expense ratio. Although the Managed Payout Fund is not expected to incur any net expenses directly, the Fund’s shareholders indirectly bear the expenses of the underlying Vanguard funds in which the Fund invests.

Plain Talk About Vanguard’s Unique Corporate Structure

The Vanguard Group is owned jointly by the funds it oversees and thus indirectly by the shareholders in those funds. Most other mutual funds are operated by management companies that are owned by third parties—either public or private stockholders—and not by the funds they serve.

Investment Advisor

The Vanguard Group, Inc., P.O. Box 2600, Valley Forge, PA 19482, which began operations in 1975, serves as advisor to the Fund through its Quantitative Equity Group. Vanguard also serves as investment advisor for each of the underlying funds. As of December 31, 2018, Vanguard served as advisor for approximately $3.9 trillion in assets. Vanguard provides investment advisory services to the Fund and each of the underlying funds pursuant to the Funds’ Service Agreement and subject to the supervision and oversight of the trustees and officers of the Fund and each of the underlying funds.

Under the terms of an SEC exemption, the Fund’s board of trustees may, without prior approval from shareholders, change the terms of an advisory agreement with a third-party investment advisor or hire a new third-party investment advisor—either as a replacement for an existing advisor or as an additional advisor. Any significant change in the Fund’s advisory arrangements will be communicated to shareholders in writing. As the Fund’s sponsor and overall manager, Vanguard may provide investment advisory services to the Fund at any time. Vanguard may also recommend to the board of trustees that an advisor be hired, terminated, or replaced or that the terms of...
an existing advisory agreement be revised. The Fund has filed an application seeking a similar SEC exemption with respect to investment advisors that are wholly owned subsidiaries of Vanguard. If the exemption is granted, the Fund may rely on the new SEC relief.

For a discussion of why the board of trustees approved the Fund’s investment advisory arrangement, see the most recent semiannual report to shareholders covering the fiscal period ended June 30.

The managers primarily responsible for the day-to-day management of the Fund are:

**John Ameriks**, Ph.D., Principal of Vanguard and head of Vanguard’s Quantitative Equity Group. He has worked in investment management since 1996, has been with Vanguard since 2003, has served on the Fund’s governance committee since 2008, and has co-managed the Fund since 2014. Education: A.B., Stanford University; Ph.D., Columbia University.

**Anatoly Shtekhman**, CFA, Portfolio Manager at Vanguard. He has been with Vanguard since 2007, has managed investment portfolios since 2016, and has co-managed the Fund since 2016. Education: B.S., University of Scranton; M.S., Boston College; M.B.A., The Wharton School of the University of Pennsylvania.

The Fund’s *Statement of Additional Information* provides information about each portfolio manager’s compensation, other accounts under management, and ownership of shares of the Fund.

### Dividends, Capital Gains, and Taxes

#### Fund Distributions

The Fund has adopted a managed distribution policy under which it seeks to distribute a targeted amount of cash to shareholders on or about the 15th calendar day of each month. The monthly distribution per share for a given calendar year will be calculated as of January 1 of that year and is generally expected to be fixed during the year, unless there is an additional distribution in December or after the fiscal year-end, as in the description that follows. This monthly distribution per share, however, will vary from year to year based on the Fund’s performance over the previous three years. The monthly distribution per share for the Fund is based on the account value of a hypothetical account assumed to hold shares of the Fund purchased at inception. It is further assumed that this hypothetical account experiences the same distributions as the accounts of actual shareholders of the Fund and that no further purchases, redemptions, or reinvestments are made for the hypothetical account, except the automatic reinvestment of certain required distributions in additional shares of the Fund, which is explained in more detail on the following page. Shareholders of the Fund are expected to receive a monthly cash distribution that is equal to the monthly...
distribution per share (as in the calculation that follows) multiplied by the number of shares they own on the record date. The formula to calculate the monthly distribution per share in a calendar year is as follows:

$$\text{Monthly distribution per share} = \frac{4\%}{12} \times \frac{\text{Average daily value of hypothetical account over prior three calendar years}}{\text{Number of shares held by hypothetical account at the end of the prior calendar year}}$$

Please note that the Fund’s managed distribution policy is not designed to generate, and is not expected to result in, distributions that equal a fixed percentage of the Fund’s current net asset value per share or a fixed percentage of a shareholder’s current account value. Instead, Fund shareholders are expected to receive a monthly distribution that is equal to the monthly distribution per share (as determined under the distribution formula) multiplied by the number of shares they own on the record date.

The hypothetical account value is averaged over the prior three years in order to increase the relative predictability and relative stability of distributions to shareholders from year to year.

Shareholders can choose to receive their 12 scheduled monthly distributions each year in cash or to automatically reinvest their distributions in additional Fund shares or in shares of other Vanguard funds (subject to any fund-specific requirements or limitations). Because the monthly distribution per share is expected to remain fixed during a calendar year, shareholders are expected to receive 12 fixed monthly payments over the course of the calendar year, unless the number of Fund shares they hold changes because of purchases, including any voluntary reinvestment of Fund distributions in more Fund shares, or because of redemptions.

The Fund generally expects to distribute to shareholders substantially all of its net income (e.g., interest and dividends) as well as substantially all of its net long-term and short-term capital gains (e.g., from the sale of its holdings or distributions from other funds it holds). In addition, pursuant to its managed distribution policy, the Fund may make distributions that are treated as a return of capital. The Fund will provide disclosures with each monthly distribution that estimate the percentages of the current and year-to-date distributions that represent net investment income, other income or capital gains, and return of capital (if any). At the end of the year, the Fund may be required under applicable law to recharacterize distributions for the year among ordinary income, capital gains, and return of capital (if any) for purposes of tax reporting to shareholders.

An additional distribution may be made in December or after the Fund’s fiscal year-end, and other additional distributions may be made with respect to a particular fiscal year in
order to comply with applicable law. The Fund is designed with the expectation that the 12 scheduled monthly distributions will be paid in cash but that each additional distribution will be automatically reinvested in additional shares. Accordingly, the Fund will generally automatically reinvest any thirteenth or other additional distribution in additional shares. These additional shares can then be redeemed under the same terms and conditions as any other shares of the Fund. The Fund also may, upon written request, distribute cash rather than automatically reinvest an additional distribution in additional shares. If you wish to receive an additional distribution for a particular calendar year in cash (rather than in additional shares), please call Vanguard for instructions in October of that calendar year. Please note that your decision to receive additional distributions in cash (rather than in additional shares) will proportionately reduce the amount of future cash distributions you will receive from the Fund. The hypothetical account also will be required to reinvest each additional distribution in additional shares of the Fund.

The Fund’s board of trustees may change the managed distribution policy in the interest of shareholders without a shareholder vote.

Plain Talk About Distributions

As a shareholder, you are entitled to your portion of a fund’s income from interest, dividends, and other sources as well as capital gains from the fund’s sale of investments. Income consists of, among other things, the dividends that the fund earns from any stock or underlying fund holdings and the interest it receives from any money market and bond investments. Capital gains are generally realized whenever the fund sells investments for higher prices than it paid for them or receives certain distributions from underlying funds it holds. These capital gains are either short-term or long-term, depending on, among other things, whether the fund held the investments for one year or less or for more than one year.

Plain Talk About Return of Capital

The Managed Payout Fund may make distributions that are treated as return of capital. “Return of capital” is the portion of a distribution representing the return of your original investment in the Fund. In general, a return of capital is not immediately taxable to you. Rather, it reduces your cost basis in the Fund’s shares and is not taxable to you until your cost basis has been reduced to zero.
Basic Tax Points

Investors in taxable accounts should be aware of the following basic federal income tax points:

- Distributions (other than any return of capital) are taxable to you whether or not you reinvest these amounts in additional Fund shares.
- Distributions declared in December—if paid to you by the end of January—are taxable as if received in December.
- Any dividend distribution or short-term capital gains distribution that you receive is taxable to you as ordinary income. If you are an individual and meet certain holding-period requirements with respect to your Fund shares, you may be eligible for reduced tax rates on “qualified dividend income,” if any, distributed by the Fund.
- Any distribution of net long-term capital gains is taxable to you as long-term capital gains, no matter how long you have owned shares in the Fund.
- Capital gains distributions may vary considerably from year to year as a result of the Fund’s normal investment activities and cash flows.
- A sale or exchange of Fund shares is a taxable event. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your tax return.
- Your cost basis in the Fund will be decreased by the amount of any return of capital that you receive. This, in turn, will affect the amount of any capital gain or loss that you realize when selling or exchanging your Fund shares.
- Return of capital distributions generally are not taxable to you until your cost basis has been reduced to zero. If your cost basis is at zero, return of capital distributions will be treated as capital gains.
- Vanguard (or your intermediary) will send you a statement each year showing the tax status of all of your distributions.

Individuals, trusts, and estates whose income exceeds certain threshold amounts are subject to a 3.8% Medicare contribution tax on “net investment income.” Net investment income takes into account distributions paid by the Fund and capital gains from any sale or exchange of Fund shares.

Dividend distributions and capital gains distributions that you receive, as well as your gains or losses from any sale or exchange of Fund shares, may be subject to state and local income taxes.

This prospectus provides general tax information only. If you are investing through a tax-advantaged account, such as an IRA or an employer-sponsored retirement or savings plan, special tax rules apply. The Fund’s distributions are not designed to comply with any required minimum distribution rules applicable to tax-advantaged accounts, and shareholders receiving cash distributions from the Fund within such
accounts will need to include such distributions, as appropriate, in the computation of their annual required minimum distribution. Please consult your tax advisor for detailed information about any tax consequences for you.

Plain Talk About Buying a Dividend

Unless you are a tax-exempt investor or investing through a tax-advantaged account (such as an IRA or an employer-sponsored retirement or savings plan), you should consider avoiding a purchase of fund shares shortly before the fund makes a distribution, because doing so can cost you money in taxes. This is known as “buying a dividend.” For example: On December 15, you invest $5,000, buying 250 shares for $20 each. If the fund pays a distribution of $1 per share on December 16, its share price will drop to $19 (not counting market change). You still have only $5,000 (250 shares x $19 = $4,750 in share value, plus 250 shares x $1 = $250 in distributions), but you owe tax on the $250 distribution you received—even if you reinvest it in more shares. To avoid buying a dividend, check a fund’s distribution schedule before you invest.

General Information

Backup withholding. By law, Vanguard must withhold 24% of any taxable distributions or redemptions from your account if you do not:

- Provide your correct taxpayer identification number.
- Certify that the taxpayer identification number is correct.
- Confirm that you are not subject to backup withholding.

Similarly, Vanguard (or your intermediary) must withhold taxes from your account if the IRS instructs us to do so.

Foreign investors. Vanguard funds offered for sale in the United States (Vanguard U.S. funds), including the Fund offered in this prospectus, are not widely available outside the United States. Non-U.S. investors should be aware that U.S. withholding and estate taxes and certain U.S. tax reporting requirements may apply to any investments in Vanguard U.S. funds. For example, Vanguard may withhold an amount based on 100% of the Fund’s distributions even if it is subsequently determined that one or more of these distributions consisted in part or entirely of amounts not subject to withholding. Foreign investors should visit the non-U.S. investors page on our website at vanguard.com for information on Vanguard’s non-U.S. products.

Invalid addresses. If a dividend distribution or capital gains distribution check mailed to your address of record is returned as undeliverable, Vanguard will automatically reinvest the distribution and all future distributions until you provide us with a valid
mailing address. Reinvestments will receive the net asset value calculated on the date of the reinvestment.

Share Price

Share price, also known as net asset value (NAV), is calculated each business day as of the close of regular trading on the New York Stock Exchange (NYSE), generally 4 p.m., Eastern time. In the rare event the NYSE experiences unanticipated disruptions and is unavailable at the close of the trading day, NAVs will be calculated as of the close of regular trading on the Nasdaq (or another alternate exchange if the Nasdaq is unavailable, as determined at Vanguard’s discretion), generally 4 p.m., Eastern time. The NAV per share is computed by dividing the total assets, minus liabilities, of the Fund by the number of Fund shares outstanding. On U.S. holidays or other days when the NYSE is closed, the NAV is not calculated, and the Fund does not sell or redeem shares. The underlying funds in which the Fund invests also do not calculate their NAV on days when the NYSE is closed, but the value of their assets may be affected to the extent that they hold securities that change in value on those days (such as foreign securities that trade on foreign markets that are open).

The Fund’s NAV is calculated based, in part, upon the values of the underlying mutual funds in which the Fund invests. The values of any mutual fund shares, including institutional money market fund shares, held by a fund are based on the NAVs of the shares. The values of any ETF shares held by a fund are based on the market value of those shares.

Stocks held by a Vanguard fund are valued at their market value when reliable market quotations are readily available from the principal exchange or market on which they are traded. Such securities are generally valued at their official closing price, the last reported sales price, or if there were no sales that day, the mean between the closing bid and asking prices.

Debt securities held by a fund are valued based on information furnished by an independent pricing service or market quotations. When a fund determines that pricing-service information or market quotations either are not readily available or do not accurately reflect the value of a security, the security is priced at its fair value (the amount that the owner might reasonably expect to receive upon the current sale of the security). The prospectuses for the underlying funds explain the circumstances under which those funds will use fair-value pricing and the effects of doing so.

A fund also will use fair-value pricing if the value of a security it holds has been materially affected by events occurring before the fund’s pricing time but after the close of the principal exchange or market on which the security is traded. This most commonly occurs with foreign securities, which may trade on foreign exchanges that close many hours before the fund’s pricing time. Intervening events might be
company-specific (e.g., earnings report, merger announcement) or country-specific or regional/global (e.g., natural disaster, economic or political news, act of terrorism, interest rate change). Intervening events include price movements in U.S. markets that exceed a specified threshold or that are otherwise deemed to affect the value of foreign securities.

Fair-value pricing may be used for domestic securities—for example, if (1) trading in a security is halted and does not resume before the fund’s pricing time or a security does not trade in the course of a day and (2) the fund holds enough of the security that its price could affect the NAV. A fund may use fair-value pricing with respect to its fixed income securities on bond market holidays when the fund is open for business (such as Columbus Day and Veterans Day).

Fair-value prices are determined by Vanguard according to procedures adopted by the board of trustees. When fair-value pricing is employed, the prices of securities used by a fund to calculate the NAV may differ from quoted or published prices for the same securities.

Vanguard fund share prices are published daily on our website at vanguard.com/prices.
Financial Highlights

The following financial highlights table is intended to help you understand the Fund’s financial performance for the periods shown, and certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost each period on an investment in the Fund (assuming reinvestment of all distributions). This information has been obtained from the financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report—along with the Fund’s financial statements—is included in the Fund’s most recent annual report to shareholders. You may obtain a free copy of the latest annual or semiannual report by visiting vanguard.com or by contacting Vanguard by telephone or mail.

Managed Payout Fund

<table>
<thead>
<tr>
<th>For a Share Outstanding Throughout Each Period</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Value, Beginning of Period</td>
<td>$19.11</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>.395(^1)</td>
</tr>
<tr>
<td>Capital Gain Distributions Received</td>
<td>.056(^1)</td>
</tr>
<tr>
<td>Net Realized and Unrealized Gain (Loss) on Investments</td>
<td>(1.502)</td>
</tr>
<tr>
<td>Total from Investment Operations</td>
<td>(1.051)</td>
</tr>
<tr>
<td>Distributions</td>
<td></td>
</tr>
<tr>
<td>Dividends from Net Investment Income</td>
<td>(.394)</td>
</tr>
<tr>
<td>Distributions from Realized Capital Gains(^2)</td>
<td>(.996)</td>
</tr>
<tr>
<td>Return of Capital</td>
<td>(.989)</td>
</tr>
<tr>
<td>Total Distributions</td>
<td>(2.379)</td>
</tr>
<tr>
<td>Net Asset Value, End of Period</td>
<td>$15.68</td>
</tr>
<tr>
<td>Total Return</td>
<td>-5.67%</td>
</tr>
<tr>
<td>Ratios/Supplemental Data</td>
<td></td>
</tr>
<tr>
<td>Net Assets, End of Period (Millions)</td>
<td>$1,760</td>
</tr>
<tr>
<td>Ratio of Total Expenses to Average Net Assets</td>
<td>0.03%</td>
</tr>
<tr>
<td>Acquired Fund Fees and Expenses</td>
<td>0.29%</td>
</tr>
<tr>
<td>Ratio of Net Investment Income to Average Net Assets</td>
<td>2.11%</td>
</tr>
<tr>
<td>Portfolio Turnover Rate</td>
<td>17%</td>
</tr>
</tbody>
</table>

1 Calculated based on average shares outstanding.
2 Includes $0.975, $0.009, $0.237, $0.319, and $0.035 from long-term capital gains and $0.021, $0.015, $0.029, $0.00, and $0.093 from short-term capital gains. Short-term gain distributions are treated as ordinary income for tax purposes.
Investing With Vanguard

This section of the prospectus explains the basics of doing business with Vanguard. Vanguard fund shares can be held directly with Vanguard or indirectly through an intermediary, such as a bank, a broker, or an investment advisor. If you hold Vanguard fund shares directly with Vanguard, you should carefully read each topic within this section that pertains to your relationship with Vanguard. If you hold Vanguard fund shares indirectly through an intermediary (including shares held in a brokerage account through Vanguard Brokerage Services®), please see Investing With Vanguard Through Other Firms, and also refer to your account agreement with the intermediary for information about transacting in that account. If you hold Vanguard fund shares through an employer-sponsored retirement or savings plan, please see Employer-Sponsored Plans. Vanguard reserves the right to change the following policies without notice. Please call or check online for current information. See Contacting Vanguard.

For Vanguard fund shares held directly with Vanguard, each fund you hold in an account is a separate “fund account.” For example, if you hold three funds in a nonretirement account titled in your own name, two funds in a nonretirement account titled jointly with your spouse, and one fund in an individual retirement account, you have six fund accounts—and this is true even if you hold the same fund in multiple accounts. Note that each reference to “you” in this prospectus applies to any one or more registered account owners or persons authorized to transact on your account.

Purchasing Shares

Vanguard reserves the right, without notice, to increase or decrease the minimum amount required to open or maintain a fund account or to add to an existing fund account.

Investment minimums may differ for certain categories of investors.

If you are an intermediary who would like to open and maintain an account in the Managed Payout Fund, please note that Vanguard will require your written agreement to provide certain information about fund distributions to your clients on a periodic basis. Intermediaries who establish fund accounts without a written agreement may be prevented from making additional investments in those accounts. If you are an intermediary, please call Vanguard for instructions before you open an account in the Managed Payout Fund.

Account Minimums

To open and maintain an account. $25,000. Financial intermediaries, institutional clients, and Vanguard-advised clients should contact Vanguard for information on special eligibility rules that may apply to them regarding Investor Shares. If you are investing through an intermediary, please contact that firm directly for more information regarding your eligibility.
To add to an existing account. Generally $1.

How to Initiate a Purchase Request
Be sure to check *Exchanging Shares, Frequent-Trading Limitations, and Other Rules You Should Know* before placing your purchase request.

**Online.** You may open certain types of accounts, request a purchase of shares, and request an exchange through our website or our mobile application if you are registered for online access.

**By telephone.** You may call Vanguard to begin the account registration process or request that the account-opening forms be sent to you. You may also call Vanguard to request a purchase of shares in your account or to request an exchange. See *Contacting Vanguard*.

**By mail.** You may send Vanguard your account registration form and check to open a new fund account. To add to an existing fund account, you may send your check with an Invest-by-Mail form (from a transaction confirmation or your account statement) or with a deposit slip (available online). For a list of Vanguard addresses, see *Contacting Vanguard*.

How to Pay for a Purchase
**By electronic bank transfer.** You may purchase shares of a Vanguard fund through an electronic transfer of money from a bank account. To establish the electronic bank transfer service on an account, you must designate the bank account online, complete a form, or fill out the appropriate section of your account registration form. After the service is set up on your account, you can purchase shares by electronic bank transfer on a regular schedule (Automatic Investment Plan) or upon request. Your purchase request can be initiated online (if you are registered for online access), by telephone, or by mail.

**By wire.** Wiring instructions vary for different types of purchases. Please call Vanguard for instructions and policies on purchasing shares by wire. See *Contacting Vanguard*.

**By check.** You may make initial or additional purchases to your fund account by sending a check with a deposit slip or by utilizing our mobile application if you are registered for online access. Also see *How to Initiate a Purchase Request*. Make your check payable to Vanguard and include the appropriate fund number (Vanguard—1498).

**By exchange.** You may purchase shares of a Vanguard fund using the proceeds from the simultaneous redemption of shares of another Vanguard fund. You may initiate an exchange online (if you are registered for online access), by telephone, or by mail with an exchange form. See *Exchanging Shares*.
Trade Date
The trade date for any purchase request received in good order will depend on the day and time Vanguard receives your request, the manner in which you are paying, and the type of fund you are purchasing. Your purchase will be executed using the NAV as calculated on the trade date. NAVs are calculated only on days that the NYSE is open for trading (a business day).

For purchases by check into all funds other than money market funds and for purchases by exchange, wire, or electronic bank transfer (not using an Automatic Investment Plan) into all funds: If the purchase request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date for the purchase will be the same day. If the purchase request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date for the purchase will be the next business day.

For purchases by check into money market funds: If the purchase request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date for the purchase will be the next business day. If the purchase request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date for the purchase will be the second business day following the day Vanguard receives the purchase request. Because money market instruments must be purchased with federal funds and it takes a money market mutual fund one business day to convert check proceeds into federal funds, the trade date for the purchase will be one business day later than for other funds.

For purchases by electronic bank transfer using an Automatic Investment Plan: Your trade date generally will be the date you selected for withdrawal of funds from your designated bank account. Your bank account generally will be debited on the business day after your trade date. If the date you selected for withdrawal of funds from your bank account falls on a weekend, holiday, or other nonbusiness day, your trade date generally will be the previous business day. For retirement accounts, if the date you selected for withdrawal of funds from your designated bank account falls on the last business day of the year, your trade date will be the first business day of the following year. Please note that if you select the first of the month for automated withdrawals from your designated bank account, trades designated for January 1 will receive the next business day’s trade date.

If your purchase request is not accurate and complete, it may be rejected. See Other Rules You Should Know—Good Order.

For further information about purchase transactions, consult our website at vanguard.com or see Contacting Vanguard.
Other Purchase Rules You Should Know

Check purchases. All purchase checks must be written in U.S. dollars, be drawn on a U.S. bank, and be accompanied by good order instructions. Vanguard does not accept cash, traveler’s checks, starter checks, or money orders. In addition, Vanguard may refuse checks that are not made payable to Vanguard.

New accounts. We are required by law to obtain from you certain personal information that we will use to verify your identity. If you do not provide the information, we may not be able to open your account. If we are unable to verify your identity, Vanguard reserves the right, without notice, to close your account or take such other steps as we deem reasonable. Certain types of accounts may require additional documentation.

Refused or rejected purchase requests. Vanguard reserves the right to stop selling fund shares or to reject any purchase request at any time and without notice, including, but not limited to, purchases requested by exchange from another Vanguard fund. This also includes the right to reject any purchase request because the investor has a history of frequent trading or because the purchase may negatively affect a fund’s operation or performance.

Large purchases. Call Vanguard before attempting to invest a large dollar amount.

No cancellations. Vanguard will not accept your request to cancel any purchase request once processing has begun. Please be careful when placing a purchase request.

Redeeming Shares

How to Initiate a Redemption Request
Be sure to check Exchanging Shares, Frequent-Trading Limitations, and Other Rules You Should Know before placing your redemption request.

Online. You may request a redemption of shares or request an exchange through our website or our mobile application if you are registered for online access.

By telephone. You may call Vanguard to request a redemption of shares or an exchange. See Contacting Vanguard.

By mail. You may send a form (available online) to Vanguard to redeem from a fund account or to make an exchange. See Contacting Vanguard.

How to Receive Redemption Proceeds
By electronic bank transfer. You may have the proceeds of a fund redemption sent directly to a designated bank account. To establish the electronic bank transfer service on an account, you must designate a bank account online, complete a form, or fill out the appropriate section of your account registration form. After the service is set up on your account, you can redeem shares by electronic bank transfer on a regular schedule.
(Automatic Withdrawal Plan) or upon request. Your redemption request can be initiated online (if you are registered for online access), by telephone, or by mail.

By wire. To receive your proceeds by wire, you may instruct Vanguard to wire your redemption proceeds ($100 minimum) to a previously designated bank account. To establish the wire redemption service, you generally must designate a bank account online, complete a form, or fill out the appropriate section of your account registration form.

Please note that Vanguard charges a $10 wire fee for outgoing wire redemptions. The fee is assessed in addition to, rather than being withheld from, redemption proceeds and is paid directly to the fund in which you invest. For example, if you redeem $100 via a wire, you will receive the full $100, and the $10 fee will be assessed to your fund account with an additional redemption of fund shares. If you redeem your entire fund account, your redemption proceeds will be reduced by the amount of the fee. The wire fee does not apply to accounts held by Flagship and Flagship Select clients; accounts held through intermediaries, including Vanguard Brokerage Services; or accounts held by institutional clients.

By exchange. You may have the proceeds of a Vanguard fund redemption invested directly in shares of another Vanguard fund. You may initiate an exchange online (if you are registered for online access), by telephone, or by mail. See Exchanging Shares.

By check. If you have not chosen another redemption method, Vanguard will mail you a redemption check, generally payable to all registered account owners, normally within two business days of your trade date, and generally to the address of record.

Trade Date
The trade date for any redemption request received in good order will depend on the day and time Vanguard receives your request and the manner in which you are redeeming. Your redemption will be executed using the NAV as calculated on the trade date. NAVs are calculated only on days that the NYSE is open for trading (a business day).

For redemptions by check, exchange, or wire: If the redemption request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. If the redemption request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day.

- Note on timing of wire redemptions from money market funds: For telephone requests received by Vanguard on a business day before 10:45 a.m., Eastern time (2 p.m., Eastern time, for Vanguard Prime Money Market Fund; 12:30 p.m., Eastern time, for Vanguard Federal Money Market Fund), the redemption proceeds generally will leave Vanguard by the close of business the same day. For telephone
requests received by Vanguard on a business day after those cut-off times, or on a nonbusiness day, and for all requests other than by telephone, the redemption proceeds generally will leave Vanguard by the close of business on the next business day.

- Note on timing of wire redemptions from all other funds: For requests received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the redemption proceeds generally will leave Vanguard by the close of business on the next business day. For requests received by Vanguard on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the redemption proceeds generally will leave Vanguard by the close of business on the second business day after Vanguard receives the request.

For redemptions by electronic bank transfer using an Automatic Withdrawal Plan: Your trade date generally will be the date you selected for withdrawal of funds (redemption of shares) from your Vanguard account. Proceeds of redeemed shares generally will be credited to your designated bank account two business days after your trade date. If the date you selected for withdrawal of funds from your Vanguard account falls on a weekend, holiday, or other nonbusiness day, your trade date generally will be the previous business day. For retirement accounts, if the date you selected for withdrawal of funds from your Vanguard account falls on the last day of the year and if that date is a holiday, your trade date will be the first business day of the following year. Please note that if you designate the first of the month for automated withdrawals, trades designated for January 1 will receive the next business day’s trade date.

For redemptions by electronic bank transfer not using an Automatic Withdrawal Plan: If the redemption request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. If the redemption request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day.

If your redemption request is not accurate and complete, it may be rejected. If we are unable to send your redemption proceeds by wire or electronic bank transfer because the receiving institution rejects the transfer, Vanguard will make additional efforts to complete your transaction. If Vanguard is still unable to complete the transaction, we may send the proceeds of the redemption to you by check, generally payable to all registered account owners, or use your proceeds to purchase new shares of the fund from which you sold shares for the purpose of the wire or electronic bank transfer transaction. See Other Rules You Should Know—Good Order.

If your redemption request is received in good order, we typically expect that redemption proceeds will be paid by the Fund within one business day of the trade
date; however, in certain circumstances, investors may experience a longer settlement period at the time of the transaction. For further information, see “Potentially disruptive redemptions” and “Emergency circumstances.”

For further information about redemption transactions, consult our website at vanguard.com or see Contacting Vanguard.

Other Redemption Rules You Should Know

Documentation for certain accounts. Special documentation may be required to redeem from certain types of accounts, such as trust, corporate, nonprofit, or retirement accounts. Please call us before attempting to redeem from these types of accounts.

Potentially disruptive redemptions. Vanguard reserves the right to pay all or part of a redemption in kind—that is, in the form of securities—if we reasonably believe that a cash redemption would negatively affect the fund’s operation or performance or that the shareholder may be engaged in market-timing or frequent trading. Under these circumstances, Vanguard also reserves the right to delay payment of the redemption proceeds for up to seven calendar days. By calling us before you attempt to redeem a large dollar amount, you may avoid in-kind or delayed payment of your redemption. Please see Frequent-Trading Limitations for information about Vanguard’s policies to limit frequent trading.

Recently purchased shares. Although you can redeem shares at any time, proceeds may not be made available to you until the fund collects payment for your purchase. This may take up to seven calendar days for shares purchased by check or by electronic bank transfer. If you have written a check on a fund with checkwriting privileges, that check may be rejected if your fund account does not have a sufficient available balance.

Address change. If you change your address online or by telephone, there may be up to a 15-day restriction on your ability to request check redemptions online and by telephone. You can request a redemption in writing (using a form available online) at any time. Confirmations of address changes are sent to both the old and new addresses.

Payment to a different person or address. At your request, we can make your redemption check payable, or wire your redemption proceeds, to a different person or send it to a different address. However, this generally requires the written consent of all registered account owners and may require additional documentation, such as a signature guarantee or a notarized signature. You may obtain a signature guarantee from some commercial or savings banks, credit unions, trust companies, or member firms of a U.S. stock exchange.
No cancellations. Vanguard will not accept your request to cancel any redemption request once processing has begun. Please be careful when placing a redemption request.

Emergency circumstances. Vanguard funds can postpone payment of redemption proceeds for up to seven calendar days. In addition, Vanguard funds can suspend redemptions and/or postpone payments of redemption proceeds beyond seven calendar days at times when the NYSE is closed or during emergency circumstances, as determined by the SEC.

Exchanging Shares

An exchange occurs when you use the proceeds from the redemption of shares of one Vanguard fund to simultaneously purchase shares of a different Vanguard fund. You can make exchange requests online (if you are registered for online access), by telephone, or by mail. See Purchasing Shares and Redeeming Shares.

If the NYSE is open for regular trading (generally until 4 p.m., Eastern time, on a business day) at the time an exchange request is received in good order, the trade date generally will be the same day. See Other Rules You Should Know—Good Order for additional information on all transaction requests.

Vanguard will not accept your request to cancel any exchange request once processing has begun. Please be careful when placing an exchange request.

Call Vanguard before attempting to exchange a large dollar amount. By calling us before you attempt to exchange a large dollar amount, you may avoid delayed or rejected transactions.

Please note that Vanguard reserves the right, without notice, to revise or terminate the exchange privilege, limit the amount of any exchange, or reject an exchange, at any time, for any reason. See Frequent-Trading Limitations for additional restrictions on exchanges.

Frequent-Trading Limitations

Because excessive transactions can disrupt management of a fund and increase the fund’s costs for all shareholders, the board of trustees of each Vanguard fund places certain limits on frequent trading in the funds. Each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) limits an investor’s purchases or exchanges into a fund account for 30 calendar days after the investor has redeemed or exchanged out of that fund account. ETF Shares are not subject to these frequent-trading limits.

For Vanguard Retirement Investment Program pooled plans, the limitations apply to exchanges made online or by telephone.
These frequent-trading limitations do not apply to the following:

- Purchases of shares with reinvested dividend or capital gains distributions.
- Discretionary transactions through Vanguard Personal Advisor Services® and Vanguard Institutional Advisory Services®.
- Redemptions of shares to pay fund or account fees.
- Redemptions of shares to remove excess shareholder contributions to certain types of retirement accounts (including, but not limited to, IRAs, certain Individual 403(b)(7) Custodial Accounts, and Vanguard Individual 401(k) Plans).
- Transfers and reregistrations of shares within the same fund.
- Purchases of shares by asset transfer or direct rollover.
- Conversions of shares from one share class to another in the same fund.
- Checkwriting redemptions.
- Section 529 college savings plans.
- Certain approved institutional portfolios and asset allocation programs, as well as trades made by funds or trusts managed by Vanguard or its affiliates that invest in other Vanguard funds. (Please note that shareholders of Vanguard’s funds of funds are subject to the limitations.)

For participants in employer-sponsored defined contribution plans,* the frequent-trading limitations do not apply to:

- Purchases of shares with participant payroll or employer contributions or loan repayments.
- Purchases of shares with reinvested dividend or capital gains distributions.
- Distributions, loans, and in-service withdrawals from a plan.
- Redemptions of shares as part of a plan termination or at the direction of the plan.
- Transactions executed through the Vanguard Managed Account Program.
- Redemptions of shares to pay fund or account fees.
- Share or asset transfers or rollovers.
- Reregistrations of shares.
- Conversions of shares from one share class to another in the same fund.
- Exchange requests submitted by written request to Vanguard. (Exchange requests submitted by fax, if otherwise permitted, are subject to the limitations.)
* The following Vanguard fund accounts are subject to the frequent-trading limitations: SEP-IRAs, SIMPLE IRAs, certain Individual 403(b)(7) Custodial Accounts, and Vanguard Individual 401(k) Plans.

Accounts Held by Institutions (Other Than Defined Contribution Plans)
Vanguard will systematically monitor for frequent trading in institutional clients’ accounts. If we detect suspicious trading activity, we will investigate and take appropriate action, which may include applying to a client’s accounts the 30-day policy previously described, prohibiting a client’s purchases of fund shares, and/or revoking the client’s exchange privilege.

Accounts Held by Intermediaries
When intermediaries establish accounts in Vanguard funds for the benefit of their clients, we cannot always monitor the trading activity of the individual clients. However, we review trading activity at the intermediary (omnibus) level, and if we detect suspicious activity, we will investigate and take appropriate action. If necessary, Vanguard may prohibit additional purchases of fund shares by an intermediary, including for the benefit of certain of the intermediary’s clients. Intermediaries also may monitor their clients’ trading activities with respect to Vanguard funds.

For those Vanguard funds that charge purchase and/or redemption fees, intermediaries will be asked to assess these fees on client accounts and remit these fees to the funds. The application of purchase and redemption fees and frequent-trading limitations may vary among intermediaries. There are no assurances that Vanguard will successfully identify all intermediaries or that intermediaries will properly assess purchase and redemption fees or administer frequent-trading limitations. If you invest with Vanguard through an intermediary, please read that firm’s materials carefully to learn of any other rules or fees that may apply.

Other Rules You Should Know

Prospectus and Shareholder Report Mailings
When two or more shareholders have the same last name and address, just one summary prospectus (or prospectus) and/or shareholder report may be sent in an attempt to eliminate the unnecessary expense of duplicate mailings. You may request individual prospectuses and reports by contacting our Client Services Department in writing, by telephone, or online. See Contacting Vanguard.
Vanguard.com
Registration. If you are a registered user of vanguard.com, you can review your account holdings; buy, sell, or exchange shares of most Vanguard funds; and perform most other transactions through our website. You must register for this service online.

Electronic delivery. Vanguard can deliver your account statements, transaction confirmations, prospectuses, certain tax forms, and shareholder reports electronically. If you are a registered user of vanguard.com, you can consent to the electronic delivery of these documents by logging on and changing your mailing preferences under “Account Maintenance.” You can revoke your electronic consent at any time through our website, and we will begin to send paper copies of these documents within 30 days of receiving your revocation.

Telephone Transactions
Automatic. When we set up your account, we will automatically enable you to do business with us by telephone, unless you instruct us otherwise in writing.

Tele-Account®. To obtain fund and account information through Vanguard’s automated telephone service, you must first establish a Personal Identification Number (PIN) by calling Tele-Account at 800-662-6273.

Proof of a caller’s authority. We reserve the right to refuse a telephone request if the caller is unable to provide the requested information or if we reasonably believe that the caller is not an individual authorized to act on the account. Before we allow a caller to act on an account, we may request the following information:

- Authorization to act on the account (as the account owner or by legal documentation or other means).
- Account registration and address.
- Fund name and account number, if applicable.
- Other information relating to the caller, the account owner, or the account.

Good Order
We reserve the right to reject any transaction instructions that are not in “good order.” Good order generally means that your instructions:

- Are provided by the person(s) authorized in accordance with Vanguard’s policies and procedures to access the account and request transactions.
- Include the fund name and account number.
- Include the amount of the transaction (stated in dollars, shares, or percentage).

Written instructions also must generally be provided on a Vanguard form and include:

- Signature(s) and date from the authorized person(s).
• Signature guarantees or notarized signatures, if required for the type of transaction. (Call Vanguard for specific requirements.)
• Any supporting documentation that may be required.

Good order requirements may vary among types of accounts and transactions. For more information, consult our website at vanguard.com or see Contacting Vanguard.

Vanguard reserves the right, without notice, to revise the requirements for good order.

Future Trade-Date Requests
Vanguard does not accept requests to hold a purchase, redemption, or exchange transaction for a future date. All such requests will receive trade dates as previously described in Purchasing Shares, Redeeming Shares, and Exchanging Shares. Vanguard reserves the right to return future-dated purchase checks.

Accounts With More Than One Owner
If an account has more than one owner or authorized person, Vanguard generally will accept instructions from any one owner or authorized person.

Responsibility for Fraud
Vanguard will not be responsible for any account losses because of fraud if we reasonably believe that the person transacting business on an account is authorized to do so. Please take precautions to protect yourself from fraud. Keep your account information private, and immediately review any account statements or other information that we provide to you. It is important that you contact Vanguard immediately about any transactions or changes to your account that you believe to be unauthorized.

Uncashed Checks
Please cash your distribution or redemption checks promptly. Vanguard will not pay interest on uncashed checks. Vanguard may be required to transfer assets related to uncashed checks to a state under the state’s abandoned property law.

Dormant Accounts
If your account has no activity in it for a period of time, Vanguard may be required to transfer it to a state under the state’s abandoned property law, subject to potential federal or state withholding taxes.
Unusual Circumstances
If you experience difficulty contacting Vanguard online or by telephone, you can send us your transaction request on a Vanguard form by regular or express mail. See Contacting Vanguard for addresses.

Investing With Vanguard Through Other Firms
You may purchase or sell shares of most Vanguard funds through a financial intermediary, such as a bank, a broker, or an investment advisor. Please consult your financial intermediary to determine which, if any, shares are available through that firm and to learn about other rules that may apply. Your financial intermediary can provide you with account information and any required tax forms. You may be required to pay a commission on purchases of mutual fund shares made through a financial intermediary.

Please see Frequent-Trading Limitations—Accounts Held by Intermediaries for information about the assessment of any purchase or redemption fees and the monitoring of frequent trading for accounts held by intermediaries.

Account Service Fee
Vanguard charges a $20 account service fee on fund accounts that have a balance below $10,000 for any reason, including market fluctuation. The account service fee applies to both retirement and nonretirement fund accounts and will be assessed on fund accounts in all Vanguard funds, regardless of the account minimum. The fee, which will be collected by redeeming fund shares in the amount of $20, will be deducted from a fund account only once per calendar year.

If you register on vanguard.com and elect to receive electronic delivery of statements, reports, and other materials for all of your fund accounts, the account service fee for balances below $10,000 will not be charged, so long as that election remains in effect.

The account service fee also does not apply to the following:
• Money market sweep accounts owned in connection with a Vanguard Brokerage Services account.*
• Accounts held through intermediaries.*
• Accounts held by institutional clients.
• Accounts held by Voyager, Voyager Select, Flagship, and Flagship Select clients. Eligibility is based on total household assets held at Vanguard, with a minimum of $50,000 to qualify for Vanguard Voyager Services®, $500,000 for Vanguard Voyager Select Services®, $1 million for Vanguard Flagship Services®, and $5 million for Vanguard Flagship Select Services®. Vanguard determines eligibility by aggregating assets of all qualifying accounts held by the investor and immediate family members who reside at the same address. Aggregate assets include investments in Vanguard
mutual funds, Vanguard ETFs®, certain annuities through Vanguard, the Vanguard 529 Plan, and certain small-business accounts. Assets in employer-sponsored retirement plans for which Vanguard provides recordkeeping services may be included in determining eligibility if the investor also has a personal account holding Vanguard mutual funds. Note that assets held in a Vanguard Brokerage Services account (other than Vanguard funds, including Vanguard ETFs) are not included when determining a household’s eligibility.

- Participant accounts in employer-sponsored defined contribution plans.** Please consult your enrollment materials for the rules that apply to your account.
- Section 529 college savings plans.

* Please note that intermediaries, including Vanguard Brokerage Services, may charge a separate fee.

** The following Vanguard fund accounts have alternative fee structures: SIMPLE IRAs, certain Individual 403(b)(7) Custodial Accounts, Vanguard Retirement Investment Program pooled plans, and Vanguard Individual 401(k) Plans.

Low-Balance Accounts
The Fund reserves the right to liquidate a fund account whose balance falls below the account minimum for any reason, including market fluctuation. This liquidation policy applies to nonretirement fund accounts and accounts that are held through intermediaries. Any such liquidation will be preceded by written notice to the investor.

Right to Change Policies
In addition to the rights expressly stated elsewhere in this prospectus, Vanguard reserves the right, without notice, to (1) alter, add, or discontinue any conditions of purchase (including eligibility requirements), redemption, exchange, service, or privilege at any time; (2) accept initial purchases by telephone; (3) freeze any account and/or suspend account services if Vanguard has received reasonable notice of a dispute regarding the assets in an account, including notice of a dispute between the registered or beneficial account owners, or if Vanguard reasonably believes a fraudulent transaction may occur or has occurred; (4) temporarily freeze any account and/or suspend account services upon initial notification to Vanguard of the death of the shareholder until Vanguard receives required documentation in good order; (5) alter, impose, discontinue, or waive any purchase fee, redemption fee, account service fee, or other fees charged to a shareholder or a group of shareholders; and (6) redeem an account or suspend account privileges, without the owner’s permission to do so, in cases of threatening conduct or activity Vanguard believes to be suspicious, fraudulent, or illegal. Changes may affect any or all investors. These actions will be taken when, at the sole discretion of Vanguard management, Vanguard reasonably believes they are in the best interest of a fund.
Fund and Account Updates

Confirmation Statements
We will send (or provide through our website, whichever you prefer) a confirmation of your trade date and the amount of your transaction when you buy, sell, or exchange shares. However, we will not send confirmations reflecting only checkwriting redemptions or the reinvestment of dividend or capital gains distributions. For any month in which you had a checkwriting redemption, a Checkwriting Activity Statement will be sent to you itemizing the checkwriting redemptions for that month. Promptly review each confirmation statement that we provide to you. It is important that you contact Vanguard immediately with any questions you may have about any transaction reflected on a confirmation statement, or Vanguard will consider the transaction properly processed.

Portfolio Summaries
We will send (or provide through our website, whichever you prefer) quarterly portfolio summaries to help you keep track of your accounts throughout the year. Each summary shows the market value of your account at the close of the statement period, as well as all distributions, purchases, redemptions, exchanges, and transfers for the current calendar quarter (or month). Promptly review each summary that we provide to you. It is important that you contact Vanguard immediately with any questions you may have about any transaction reflected on the summary, or Vanguard will consider the transaction properly processed.

Tax Information Statements
For most accounts, Vanguard (or your intermediary) is required to provide annual tax forms to assist you in preparing your income tax returns. These forms are generally available for each calendar year early in the following year. Registered users of vanguard.com can also view certain forms through our website. Vanguard (or your intermediary) may also provide you with additional tax-related documentation. For more information, consult our website at vanguard.com or see Contacting Vanguard.

Annual and Semiannual Reports
We will send (or provide through our website, whichever you prefer) reports about Vanguard Managed Payout Fund twice a year, in February and August. These reports include overviews of the financial markets and provide the following specific Fund information:
- Performance assessments and comparisons with industry benchmarks.
- Reports from the advisor.
- Financial statements with listings of Fund holdings.
Portfolio Holdings
Please consult the Fund’s Statement of Additional Information or our website for a description of the policies and procedures that govern disclosure of the Fund’s portfolio holdings.

Employer-Sponsored Plans

Your plan administrator or your employee benefits office can provide you with detailed information on how to participate in your plan and how to elect the Fund as an investment option.

- If you have any questions about the Fund or Vanguard, including those about the Fund’s investment objective, strategies, or risks, contact Vanguard Participant Services toll-free at 800-523-1188 or visit our website at vanguard.com.
- If you have questions about your account, contact your plan administrator or the organization that provides recordkeeping services for your plan.
- Be sure to carefully read each topic that pertains to your transactions with Vanguard.

Vanguard reserves the right to change its policies without notice to shareholders.

Transactions

Processing times for your transaction requests may differ among recordkeepers or among transaction and funding types. Your plan’s recordkeeper (which may also be Vanguard) will determine the necessary processing time frames for your transaction requests prior to submission to the Fund. Consult your recordkeeper or plan administrator for more information.

If Vanguard is serving as your plan recordkeeper and if your transaction involves one or more investments with an early cut-off time for processing or another trading restriction, your entire transaction will be subject to the restriction when the trade date for your transaction is determined.
Contacting Vanguard

**Web**

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<tr>
<th>Website</th>
<th>Information</th>
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<tbody>
<tr>
<td>Vanguard.com</td>
<td>For the most complete source of Vanguard news</td>
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<td></td>
<td>For fund, account, and service information</td>
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<td>For most account transactions</td>
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<td>For literature requests</td>
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**Phone**

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<th>Service</th>
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<tr>
<td>Vanguard Tele-Account® 800-662-6273</td>
<td>For automated fund and account information</td>
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<td>Toll-free, 24 hours a day, 7 days a week</td>
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<td>Investor Information 800-662-7447 (Text telephone for people with hearing impairment at 800-749-7273)</td>
<td>For fund and service information</td>
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<td>For literature requests</td>
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<tr>
<td>Client Services 800-662-2739 (Text telephone for people with hearing impairment at 800-749-7273)</td>
<td>For account information</td>
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<td>For most account transactions</td>
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<tr>
<td>Participant Services 800-523-1188 (Text telephone for people with hearing impairment at 800-749-7273)</td>
<td>For information and services for participants in employer-sponsored plans</td>
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<tr>
<td>Institutional Division 888-809-8102</td>
<td>For information and services for large institutional investors</td>
</tr>
<tr>
<td>Financial Advisor and Intermediary Sales Support 800-997-2798</td>
<td>For information and services for financial intermediaries including financial advisors, broker-dealers, trust institutions, and insurance companies</td>
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<tr>
<td>Financial Advisory and Intermediary Trading Support 800-669-0498</td>
<td>For account information and trading support for financial intermediaries including financial advisors, broker-dealers, trust institutions, and insurance companies</td>
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Vanguard Addresses
Please be sure to use the correct address and the correct form. Use of an incorrect address or form could delay the processing of your transaction.

| Regular Mail (Individuals) | The Vanguard Group  
P.O. Box 1110  
Valley Forge, PA 19482-1110 |
|---------------------------|--------------------------------------------------|
| Regular Mail (Institutions, Intermediaries, and Employer-Sponsored Plan Participants) | The Vanguard Group  
P.O. Box 2900  
Valley Forge, PA 19482-2900 |
| Registered, Express, or Overnight Mail | The Vanguard Group  
455 Devon Park Drive  
Wayne, PA 19087-1815 |

Additional Information

<table>
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<tr>
<th>Managed Payout Fund</th>
<th>Inception Date</th>
<th>Newspaper Abbreviation</th>
<th>Vanguard Fund Number</th>
<th>CUSIP Number</th>
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Neither Barclays Bank Plc, Barclays Capital Inc., or any affiliate (collectively Barclays) or Bloomberg is the issuer or producer of the Managed Payout Fund and neither Bloomberg nor Barclays has any responsibilities, obligations or duties to investors in the Managed Payout Fund. The Indices are licensed for use by The Vanguard Group, Inc. (Vanguard) as the sponsor of the Managed Payout Fund. Bloomberg and Barclays’ only relationship with Vanguard in respect to the Indices is the licensing of the Indices, which is determined, composed and calculated by BISL, or any successor thereto, without regard to the Issuer or the Managed Payout Fund or the owners of the Managed Payout Fund.

Additionally, Vanguard may for itself execute transaction(s) with Barclays in or relating to the Indices in connection with the Managed Payout Fund. Investors acquire the Managed Payout Fund from Vanguard and investors neither acquire any interest in the Indices nor enter into any relationship of any kind whatsoever with Bloomberg or Barclays upon making an investment in the Managed Payout Fund. The Managed Payout Fund is not sponsored, endorsed, sold or promoted by Bloomberg or Barclays. Neither Bloomberg nor Barclays makes any representation or warranty, express or implied regarding the advisability of investing in the Managed Payout Fund or the advisability of investing in securities generally or the ability of the Indices to track corresponding or relative market performance. Neither Bloomberg nor Barclays has passed on the legality or suitability of the Managed Payout Fund with respect to any person or entity. Neither Bloomberg nor Barclays is responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Managed Payout Fund to be issued.

Neither Bloomberg nor Barclays has any obligation to take the needs of the Issuer or the owners of the Managed Payout Fund or any other third party into consideration in determining, composing or calculating the Indices. Neither Bloomberg nor Barclays has any obligation or liability in connection with administration, marketing or trading of the Managed Payout Fund. The licensing agreement between Bloomberg and Barclays is solely for the benefit of Bloomberg and Barclays and not for the benefit of the owners of the Managed Payout Fund, investors or other third parties. In addition, the licensing agreement between Vanguard and Bloomberg is solely for the benefit of Vanguard and Bloomberg and not for the benefit of the owners of the Managed Payout Fund, investors or other third parties.

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Glossary of Investment Terms

Absolute Return Investing. An investment strategy that seeks capital appreciation over the long term while exhibiting low correlation with the returns of traditional capital markets (e.g., U.S. stock market).

Acquired Fund. Any mutual fund, business development company, closed-end investment company, or other pooled investment vehicle whose shares are owned by a fund.

Bloomberg Barclays U.S. Aggregate Bond Index. An index that is the broadest representation of the taxable U.S. bond market, including most U.S. Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, all with investment-grade ratings (rated Baa3 or above by Moody’s) and maturities of 1 year or more.

Bond. A debt security (IOU) issued by a corporation, a government, or a government agency in exchange for the money the bondholder lends it. In most instances, the issuer agrees to pay back the loan by a specific date and generally to make regular interest payments until that date.

Borrowing Expense on Securities Sold Short. A fee charged by a fund’s broker when a fund sells a stock short. This fee is calculated on a daily basis, based upon the market value of the stock sold short and a variable rate that is dependent upon the availability of the stock.

Capital Gains Distributions. Payments to mutual fund shareholders of gains realized on securities that a fund has sold at a profit, minus any realized losses.

Cash Equivalent Investments. Cash deposits, short-term bank deposits, and money market instruments that include U.S. Treasury bills and notes, bank certificates of deposit (CDs), repurchase agreements, commercial paper, and banker’s acceptances.

Commodities. Bulk goods or raw materials, such as agricultural products, livestock, precious metals, energy products, and industrial metals. Commodities can be purchased for immediate delivery (“on the spot”) or delivery on a future date under a standardized agreement.

Commodity Futures Contract. A legally binding agreement for the purchase or sale of a specified type and quantity of a commodity during a stated delivery month for a fixed price.

**Correlation.** The relationship between two variables, such as the relationship between the prices of stocks and bonds. Investments that are positively correlated have prices that tend to move in the same direction at the same time, while investments that are negatively correlated have prices that tend to move in opposite directions at the same time. Investments with low correlation have prices that tend to move independently of each other.

**Dividend Distributions.** Payments to mutual fund shareholders of income from interest or dividends generated by a fund’s investments.

**Dividend Expense on Securities Sold Short.** The amount of money that a fund is required to pay to a lender of stock that the fund has sold short when a dividend has been declared on the stock.

**Expense Ratio.** A fund’s total annual operating expenses expressed as a percentage of the fund’s average net assets. The expense ratio includes management and administrative expenses, but it does not include the transaction costs of buying and selling portfolio securities.

**Face Value.** The amount to be paid at a bond’s maturity; also known as the par value or principal.

**Fixed Income Security.** An investment, such as a bond, representing a debt that must be repaid by a specified date, and on which the borrower must pay a fixed, variable, or floating rate of interest.

**Float-Adjusted Index.** An index that weights its constituent securities based on the value of the constituent securities that are available for public trading, rather than the value of all constituent securities. Some portion of an issuer’s securities may be unavailable for public trading because, for example, those securities are owned by company insiders on a restricted basis or by a government agency. By excluding unavailable securities, float-adjusted indexes can produce a more accurate picture of the returns actually experienced by investors in the measured market.

**FTSE All-World Index.** An index that tracks large- and mid-capitalization stocks in countries around the world, including both developed and emerging markets.

**Fund of Funds.** A mutual fund that pursues its objective by investing in other mutual funds.

**Inception Date.** The date on which the assets of a fund are first invested in accordance with the fund’s investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is generally measured from the inception date.
**Investment-Grade Bond.** A debt security whose credit quality is considered by independent bond rating agencies, or through independent analysis conducted by a fund’s advisor, to be sufficient to ensure timely payment of principal and interest under current economic circumstances. Debt securities rated in one of the four highest rating categories are considered investment-grade. Other debt securities may be considered by an advisor to be investment-grade.

**Joint Committed Credit Facility.** The Fund participates, along with other funds managed by Vanguard, in a committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each Vanguard fund is individually liable for its borrowings, if any, under the credit facility. The amount and terms of the committed credit facility are subject to approval by the Fund’s board of trustees and renegotiation with the lender syndicate on an annual basis.

**Managed Payout Composite Index.** Weighted 36% CRSP US Total Market Index, 24.5% Bloomberg Barclays U.S. Aggregate Float Adjusted Index, 24% FTSE Global All Cap ex US Index, 10.5% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), and 5% Bloomberg Commodity Index as of May 1, 2015.

In prior periods, the composite was 42% CRSP US Total Market Index, 28% Bloomberg Barclays U.S. Aggregate Float Adjusted Index, 18% FTSE Global All Cap ex US Index, 7% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), and 5% Bloomberg Commodity Index (Dow Jones-UBS Commodity Index through June 30, 2014) through April 30, 2015; and 35% CRSP US Total Market Index (MSCI US Broad Market Index through May 31, 2013), 12% Bloomberg Barclays U.S. Aggregate Float Adjusted Index (Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009), 15% FTSE Global All Cap ex US Index (MSCI All Country World ex USA Investable Market Index through May 31, 2013), 3% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged), 15% Citigroup Three-Month U.S. Treasury Bill Index, 10% Dow Jones-UBS Commodity Index, and 10% REIT Spliced Index (MSCI US REIT Index adjusted to include a 2% cash position through April 30, 2009) through January 31, 2014. International stock benchmark returns are adjusted for withholding taxes.

**Market Neutral Investing.** An investment strategy designed to produce a portfolio that is neutral with respect to general stock market risk. The goal of market neutral investing is to generate returns that are independent of the returns and direction of the general stock market (called beta) and driven largely by the value added by the advisor’s skill in selecting mispriced stocks (called alpha). Market neutral investing is often implemented through a long/short portfolio of investments in publicly traded stocks.
MSCI ACWI Equity Investable Market Index. An index designed to measure the performance of stocks of companies located in developed and emerging markets across size, style, and sector segments.

Mutual Fund. An investment company that pools the money of many people and invests it in a variety of securities in an effort to achieve a specific objective over time.

New York Stock Exchange (NYSE). A stock exchange based in New York City that is open for regular trading on business days, Monday through Friday, from 9:30 a.m. to 4 p.m., Eastern time.

Nominal Return. The total return of an investment without taking into account the expected impact of inflation.

Principal. The face value of a debt instrument or the amount of money put into an investment.

Real Return. The total return of an investment when reduced to take into account the expected impact of inflation.

Record Date. The date used to determine who is eligible to receive a fund’s next distribution of dividends or capital gains.

Return of Capital. A return of all or part of your original investment in a fund. In general, a return of capital is not immediately taxable to a shareholder. Rather, it reduces your cost basis in a fund’s shares and is not taxable to you until your cost basis has been reduced to zero.

Short Sale. A transaction in which a fund sells a stock it does not own and then borrows the stock from a lender in order to settle the transaction. A fund will engage in short sales when its advisor believes that the price of the stock will decline or underperform.

Total Return. A percentage change, over a specified time period, in a mutual fund’s net asset value, assuming the reinvestment of all distributions of dividends and capital gains.

Volatility. The fluctuations in value of a mutual fund or other security. The greater a fund’s volatility, the wider the fluctuations in its returns.

Yield. Income (interest or dividends) earned by an investment, expressed as a percentage of the investment’s price.
For More Information
If you would like more information about Vanguard Managed Payout Fund, the following documents are available free upon request:

Annual/Semiannual Reports to Shareholders
Additional information about the Fund’s investments is available in the Fund’s annual and semiannual reports to shareholders. In the annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund’s performance during its last fiscal year.

Statement of Additional Information (SAI)
The SAI provides more detailed information about the Fund and is incorporated by reference into (and thus legally a part of) this prospectus.

To receive a free copy of the latest annual or semiannual report or the SAI, or to request additional information about the Fund or other Vanguard funds, please visit vanguard.com or contact us as follows:

If you are an individual investor:
The Vanguard Group
Investor Information Department
P.O. Box 2600
Valley Forge, PA 19482-2600
Telephone: 800-662-7447; Text telephone for people with hearing impairment: 800-749-7273

If you are a participant in an employer-sponsored plan:
The Vanguard Group
Participant Services
P.O. Box 2900
Valley Forge, PA 19482-2900
Telephone: 800-523-1188; Text telephone for people with hearing impairment: 800-749-7273

If you are a current Vanguard shareholder and would like information about your account, account transactions, and/or account statements, please call:

Client Services Department
Telephone: 800-662-2739; Text telephone for people with hearing impairment: 800-749-7273

Information Provided by the Securities and Exchange Commission (SEC)
Reports and other information about the Fund are available in the EDGAR database on the SEC’s website at www.sec.gov, or you can receive copies of this information, for a fee, by electronic request at the following email address: publicinfo@sec.gov.

Fund’s Investment Company Act file number: 811-58431

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