

Vanguard[®]

Annual Report | January 31, 2019

Vanguard Real Estate Index Funds

Vanguard Real Estate Index Fund

Vanguard Real Estate II Index Fund

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

Important information about access to shareholder reports

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

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

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

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

A Note From Our Chairman



Tim Buckley
Chairman and Chief Executive Officer

Dear Shareholder,

Over the years, I've found that prudent investors exhibit a common trait: discipline. No matter how the markets move or what new investing fad hits the headlines, those who stay focused on their goals and tune out the noise are set up for long-term success.

The prime gateway to investing is saving, and you don't usually become a saver without a healthy dose of discipline. Savers make the decision to sock away part of their income, which means spending less and delaying gratification, no matter how difficult that may be.

Of course, disciplined investing extends beyond diligent saving. The financial markets, in the short term especially, are unpredictable; I have yet to meet the investor who can time them perfectly. It takes discipline to resist the urge to go all-in when markets are frothy or to retreat when things look bleak.

Staying put with your investments is one strategy for handling volatility. Another, rebalancing, requires even more discipline because it means steering your money away from strong performers and toward poorer performers.

Patience—a form of discipline—is also the friend of long-term investors. Higher returns are the potential reward for weathering the market's turbulence and uncertainty.

It's important to be prepared for that turbulence, whenever it appears. Don't panic. Don't chase returns or look for answers outside the asset classes you trust. And be sure to rebalance periodically, even when there's turmoil.

Whether you're a master of self-control, get a boost from technology, or work with a professional advisor, know that discipline is necessary to get the most out of your investment portfolio. And know that Vanguard is with you for the entire ride.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in black ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mortimer J. Buckley
Chairman and Chief Executive Officer
February 19, 2019

Your Fund's Performance at a Glance

- For the 12 months ended January 31, 2019, Vanguard Real Estate Index Fund returned 9.53% for Investor Shares. Returns were a bit higher for Institutional and Admiral Shares as well as for Vanguard Real Estate II Index Fund. The results were in line with those of the funds' benchmark index.
- In December, the Federal Reserve increased the target range for its federal funds rate by one-quarter of a percentage point, to between 2.25% and 2.5%. This was the Fed's fourth rate hike of 2018.
- As defensive stocks gained traction in the broader market beginning in the middle of 2018, the types of real estate investments that outperformed tended to be defensive as well.
- Health care, residential, and specialized REITs contributed most to the funds' returns. Hotel and resort REITs, real estate services, real estate development, and diversified real estate activities detracted from relative performance.

Market Barometer

	Average Annual Total Returns Periods Ended January 31, 2019		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	-2.17%	14.14%	10.68%
Russell 2000 Index (Small-caps)	-3.52	14.71	7.26
Russell 3000 Index (Broad U.S. market)	-2.26	14.19	10.41
FTSE All-World ex US Index (International)	-12.52	9.68	3.47
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.25%	1.95%	2.44%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.26	2.15	3.57
FTSE Three-Month U.S. Treasury Bill Index	1.96	1.05	0.63
CPI			
Consumer Price Index	1.55%	2.04%	1.48%

About Your Fund's Expenses

As a shareholder of the fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your fund's costs in two ways:

- **Based on actual fund return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your fund under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the fund's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the fund for buying and selling securities. Further, the expenses do not include any purchase, redemption, or account service fees described in the fund prospectus. If such fees were applied to your account, your costs would be higher. Your fund does not carry a "sales load."

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the fund's expenses, including annual expense ratios, in the Financial Statements section of this report. For additional information on operating expenses and other shareholder costs, please refer to your fund's current prospectus.

Six Months Ended January 31, 2019

	Beginning Account Value 7/31/2018	Ending Account Value 1/31/2019	Expenses Paid During Period
Based on Actual Fund Return			
Real Estate Index Fund			
Investor Shares	\$1,000.00	\$1,042.37	\$1.29
ETF Shares	1,000.00	1,043.47	0.57
Admiral™ Shares	1,000.00	1,043.28	0.57
Institutional Shares	1,000.00	1,043.38	0.46
Real Estate II Index Fund	\$1,000.00	\$1,043.30	\$0.41
Based on Hypothetical 5% Yearly Return			
Real Estate Index Fund			
Investor Shares	\$1,000.00	\$1,023.95	\$1.28
ETF Shares	1,000.00	1,024.65	0.56
Admiral Shares	1,000.00	1,024.65	0.56
Institutional Shares	1,000.00	1,024.75	0.46
Real Estate II Index Fund	\$1,000.00	\$1,024.80	\$0.41

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are: for the Real Estate Index Fund, 0.25% for Investor Shares, 0.11% for ETF Shares, 0.11% for Admiral Shares, and 0.09% for Institutional Shares; and for the Real Estate II Index Fund, 0.08%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

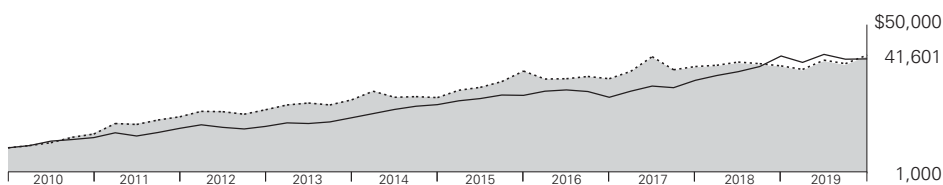
Real Estate Index Fund

Performance Summary

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

Cumulative Performance: January 31, 2009, Through January 31, 2019

Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended January 31, 2019			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
Real Estate Index Fund Investor Shares	9.53%	8.75%	15.32%	\$41,601
Real Estate Spliced Index	9.77	9.01	15.51	42,286
Dow Jones U.S. Total Stock Market Float Adjusted Index	-2.32	10.36	15.14	40,951

Real Estate Spliced Index: MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through February 1, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index through July 24, 2018; MSCI US Investable Market Real Estate 25/50 Index thereafter.

	One Year	Five Years	Ten Years	Final Value of a \$10,000 Investment
Real Estate Index Fund ETF Shares Net Asset Value	9.70%	8.90%	15.48%	\$42,187
Real Estate Spliced Index	9.77	9.01	15.51	42,286
Dow Jones U.S. Total Stock Market Float Adjusted Index	-2.32	10.36	15.14	40,951

See Financial Highlights for dividend and capital gains information.

Real Estate Index Fund

	Average Annual Total Returns Periods Ended January 31, 2019			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
Real Estate Index Fund Admiral Shares	9.69%	8.90%	15.49%	\$42,195
Real Estate Spliced Index	9.77	9.01	15.51	42,286
Dow Jones U.S. Total Stock Market Float Adjusted Index	-2.32	10.36	15.14	40,951

	Average Annual Total Returns Periods Ended January 31, 2019			Final Value of a \$5,000,000 Investment
	One Year	Five Years	Ten Years	
Real Estate Index Fund Institutional Shares	9.70%	8.91%	15.52%	\$21,158,595
Real Estate Spliced Index	9.77	9.01	15.51	21,143,116
Dow Jones U.S. Total Stock Market Float Adjusted Index	-2.32	10.36	15.14	20,475,588

Cumulative Returns of ETF Shares: January 31, 2009, Through January 31, 2019

	One Year	Five Years	Ten Years
Real Estate Index Fund ETF Shares Market Price	9.78%	53.39%	319.90%
Real Estate Index Fund ETF Shares Net Asset Value	9.70	53.17	321.87
Real Estate Spliced Index	9.77	53.90	322.86

For the ETF Shares, the market price is determined by the midpoint of the bid-offer spread as of the closing time of the New York Stock Exchange (generally 4 p.m., Eastern time). The net asset value is also determined as of the NYSE closing time. For more information about how the ETF Shares' market prices have compared with their net asset value, visit vanguard.com, select your ETF, and then select the Price and Performance tab. The ETF premium/discount analysis there shows the percentages of days on which the ETF Shares' market price was above or below the NAV.

Average Annual Total Returns: Periods Ended December 31, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years
Investor Shares	5/13/1996	-6.11%	7.24%	11.89%
ETF Shares	9/23/2004			
Market Price		-5.97	7.41	12.06
Net Asset Value		-5.95	7.40	12.04
Admiral Shares	11/12/2001	-5.95	7.40	12.05
Institutional Shares	12/2/2003	-5.93	7.41	12.07

Sector Diversification

As of January 31, 2019

Diversified Real Estate Activities	0.2%
Diversified REITs	4.7
Health Care REITs	9.9
Hotel & Resort REITs	5.0
Industrial REITs	7.1
Office REITs	10.0
Real Estate Development	0.4
Real Estate Operating Companies	0.3
Real Estate Services	2.6
Residential REITs	13.9
Retail REITs	14.5
Specialized REITs	31.4

The table reflects the fund's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P"), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Financial Statements

Statement of Net Assets

As of January 31, 2019

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov.

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (96.3%)¹			Healthcare Realty Trust Inc.		
Diversified REITs (4.1%)			Sabra Health Care REIT Inc.		
WP Carey Inc.	7,641,080	572,240	5,942,121	191,871	
VEREIT Inc.	41,611,710	336,223	National Health Investors Inc.		
Liberty Property Trust	7,020,986	330,969	1,992,666	165,909	
STORE Capital Corp.	8,790,333	284,104	Physicians Realty Trust Senior Housing Properties Trust		
PS Business Parks Inc.	974,368	141,468	11,290,044	155,464	
Colony Capital Inc.	22,153,705	134,473	LTC Properties Inc.		
Empire State Realty Trust Inc.	6,724,508	103,961	1,886,841	89,512	
Lexington Realty Trust	10,273,972	98,733	CareTrust REIT Inc.		
Washington REIT	3,709,728	94,042	3,883,629	85,362	
* Alexander & Baldwin Inc.	3,265,667	75,241	Universal Health Realty Income Trust		
American Assets Trust Inc.	1,567,184	67,295	625,523	43,611	
Global Net Lease Inc.	3,401,251	65,950	New Senior Investment Group Inc.		
Armada Hoffer Properties Inc.	2,311,885	34,724	3,905,073	21,166	
iStar Inc.	3,227,123	30,948	MedEquities Realty Trust Inc.		
Essential Properties Realty Trust Inc.	1,768,802	28,124	1,364,174	15,784	
Gladstone Commercial Corp.	1,351,074	26,954	5,159,789		
One Liberty Properties Inc.	688,602	18,730	Hotel & Resort REITs (4.4%)		
§.2 Winthrop Realty Trust	1,892,511	2,061	Host Hotels & Resorts Inc.		
		2,446,240	35,285,764	637,261	
Health Care REITs (8.7%)			Park Hotels & Resorts Inc.		
Welltower Inc.	17,688,532	1,370,684	9,559,177	287,444	
Ventas Inc.	16,940,788	1,092,511	Hospitality Properties Trust		
HCP Inc.	22,330,266	704,297	7,812,615	208,284	
Medical Properties Trust Inc.	17,385,009	316,407	Pebblebrook Hotel Trust		
^ Omega Healthcare Investors Inc.	7,345,954	295,234	6,220,145	199,356	
Healthcare Trust of America Inc. Class A	9,856,930	280,134	Ryman Hospitality Properties Inc.		
			2,205,208	177,188	
			Apple Hospitality REIT Inc.		
			10,352,144	169,879	
			Sunstone Hotel Investors Inc.		
			10,850,491	155,162	
			RLJ Lodging Trust		
			8,352,865	154,946	
			MGM Growth Properties LLC Class A		
			4,077,871	126,414	
			DiamondRock Hospitality Co.		
			9,897,949	100,563	
			Xenia Hotels & Resorts Inc.		
			5,337,441	100,184	

Real Estate Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Chesapeake Lodging Trust	2,883,688	82,127	Piedmont Office Realty Trust Inc. Class A	6,061,846	117,357
Summit Hotel Properties Inc.	4,979,416	55,620	Mack-Cali Realty Corp.	4,301,270	88,606
Chatham Lodging Trust	2,171,952	43,895	^ Office Properties Income Trust	2,291,848	73,408
Hersha Hospitality Trust Class A	1,780,312	32,989	Tier REIT Inc.	2,422,922	56,939
CorePoint Lodging Inc.	1,978,973	24,223	Easterly Government Properties Inc.	2,861,564	51,394
Ashford Hospitality Trust Inc.	4,488,922	22,220	Franklin Street Properties Corp.	5,097,849	37,826
Braemar Hotels & Resorts Inc.	1,398,611	15,553	NorthStar Realty Europe Corp.	2,141,242	35,952
		<u>2,593,308</u>	City Office REIT Inc.	1,625,793	18,794
Industrial REITs (6.2%)			5,^ New York REIT Liquidating LLC	1,208	17
Prologis Inc.	29,948,788	2,071,258			<u>5,239,005</u>
Duke Realty Corp.	16,982,897	496,580	Other (11.4%)³		
First Industrial Realty Trust Inc.	6,005,213	196,491	4,5 Vanguard Real Estate II Index Fund	334,289,153	6,719,464
EastGroup Properties Inc.	1,704,637	176,362			
Rexford Industrial Realty Inc.	4,356,123	146,366	Residential REITs (12.2%)		
STAG Industrial Inc.	4,989,427	137,558	Equity Residential	17,505,974	1,270,233
Americold Realty Trust	4,554,578	133,540	AvalonBay Communities Inc.	6,568,107	1,267,119
Terreno Realty Corp.	2,781,515	112,206	Essex Property Trust Inc.	3,139,317	851,383
Industrial Logistics Properties Trust	3,082,843	66,250	UDR Inc.	12,718,870	556,451
Hannon Armstrong Sustainable Infrastructure Capital Inc.	2,574,968	58,169	Mid-America Apartment Communities Inc.	5,402,318	547,147
Monmouth Real Estate Investment Corp.	4,028,490	55,351	Camden Property Trust Equity LifeStyle Properties Inc.	4,405,377	427,101
^ Innovative Industrial Properties Inc.	431,201	26,700	Properties Inc.	4,010,542	424,636
		<u>3,676,831</u>	Sun Communities Inc.	3,849,285	423,075
Office REITs (8.8%)			Apartment Investment & Management Co.	7,480,577	370,438
Boston Properties Inc.	7,350,464	969,306	Invitation Homes Inc.	14,845,880	333,884
Alexandria Real Estate Equities Inc.	5,034,143	663,047	American Campus Communities Inc.	6,503,121	299,274
Vornado Realty Trust	8,145,591	569,458	American Homes 4 Rent Class A	12,646,439	279,613
SL Green Realty Corp.	4,117,127	380,546	Independence Realty Trust Inc.	4,159,198	43,464
Kilroy Realty Corp.	4,782,131	336,949	Investors Real Estate Trust	563,979	33,201
Douglas Emmett Inc.	7,661,624	289,839	NexPoint Residential Trust Inc.	881,106	32,962
Hudson Pacific Properties Inc.	7,461,574	242,277	Preferred Apartment Communities Inc. Class A	1,903,717	30,269
Highwoods Properties Inc.	4,903,521	217,324	Front Yard Residential Corp.	2,428,398	26,275
JBG SMITH Properties	5,428,367	209,806	UMH Properties Inc.	1,570,399	22,033
Equity Commonwealth	5,680,529	183,822			<u>7,238,558</u>
Cousins Properties Inc.	19,923,083	176,319			
Paramount Group Inc.	10,223,715	148,040			
Brandywine Realty Trust	8,475,856	127,562			
Columbia Property Trust Inc.	5,595,475	123,492			
Corporate Office Properties Trust	4,897,739	120,925			

Real Estate Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Retail REITs (12.8%)					
Simon Property Group Inc.	14,705,073	2,678,088	Public Storage	7,454,167	1,584,160
Realty Income Corp.	13,784,199	946,837	Equinix Inc.	3,781,172	1,489,782
Regency Centers Corp.	6,834,488	444,242	Digital Realty Trust Inc.	9,801,404	1,061,884
Federal Realty Investment Trust	3,235,703	428,957	* SBA Communications Corp. Class A	5,463,238	997,205
^ National Retail Properties Inc.	7,458,662	393,146	Weyerhaeuser Co.	36,047,329	945,882
Kimco Realty Corp.	19,438,339	330,646	Extra Space Storage Inc.	6,012,963	592,938
Brixmor Property Group Inc.	14,001,738	239,850	Iron Mountain Inc.	12,937,886	481,289
Macerich Co.	5,030,699	232,217	Gaming and Leisure Properties Inc.	9,635,651	361,337
Weingarten Realty Investors	5,762,971	165,340	Lamar Advertising Co. Class A	4,029,509	299,997
Spirit Realty Capital Inc.	4,069,190	161,628	CubeSmart	8,826,679	273,186
Taubman Centers Inc.	2,905,610	144,699	EPR Properties	3,532,125	258,057
2 Brookfield Property REIT Inc. Class A	7,548,711	137,387	CyrusOne Inc.	4,718,187	255,726
Retail Properties of America Inc.	10,434,565	131,893	VICI Properties Inc.	11,830,370	254,708
Acadia Realty Trust	3,890,304	111,768	Life Storage Inc.	2,211,358	217,310
Urban Edge Properties	5,440,058	111,086	Rayonier Inc.	6,154,222	187,334
^ Tanger Factory Outlet Centers Inc.	4,466,889	101,622	CoreSite Realty Corp.	1,643,658	162,377
SITE Centers Corp.	7,497,109	97,987	Uniti Group Inc.	7,964,458	158,572
Agree Realty Corp.	1,474,393	97,354	Outfront Media Inc.	6,639,296	137,765
Retail Opportunity Investments Corp.	4,836,807	84,983	GEO Group Inc.	5,795,490	130,688
Kite Realty Group Trust	3,996,360	66,460	PotlatchDeltic Corp.	3,059,538	112,836
^ Seritage Growth Properties Class A	1,623,289	65,272	CoreCivic Inc.	5,640,094	112,069
Getty Realty Corp.	1,625,884	52,126	QTS Realty Trust Inc. Class A	2,436,349	102,595
Washington Prime Group Inc.	8,885,084	50,467	Four Corners Property Trust Inc.	3,166,467	89,421
RPT Realty	3,816,261	49,955	National Storage Affiliates Trust	2,693,042	78,368
Alexander's Inc.	106,788	35,567	InfraREIT Inc.	2,067,826	43,631
Saul Centers Inc.	645,023	34,160	CatchMark Timber Trust Inc. Class A	2,350,855	21,604
Urstadt Biddle Properties Inc. Class A	1,408,538	30,171	Jernigan Capital Inc.	928,959	20,140
^ Pennsylvania REIT	3,383,107	24,934	^ CorEnergy Infrastructure Trust Inc.	556,930	19,944
Whitestone REIT	1,707,043	24,206	^ Farmland Partners Inc.	1,523,957	8,549
Retail Value Inc.	723,755	22,009			16,391,979
^ CBL & Associates Properties Inc.	8,218,628	20,464	Total Equity Real Estate Investment Trusts (REITs)		
Spirit MTA REIT	2,062,248	16,127	(Cost \$50,428,158)		
Cedar Realty Trust Inc.	4,373,946	15,265	57,012,872		
Urstadt Biddle Properties Inc.	45,349	785	Real Estate Management & Development (3.1%)		
		7,547,698	Diversified Real Estate Activities (0.2%)		
Specialized REITs (27.7%)			* St. Joe Co.		
American Tower Corp.	20,963,253	3,623,289	^* Five Point Holdings LLC		
Crown Castle International Corp.	19,727,802	2,309,336	Class A		
			RMR Group Inc. Class A		
			* Tejon Ranch Co.		
			85,935		
			Real Estate Development (0.4%)		
			* Howard Hughes Corp.		
			* Forestar Group Inc.		
			222,590		

Real Estate Index Fund

	Shares	Market Value* (\$000)
Real Estate Operating Companies (0.2%)		
Kennedy-Wilson Holdings Inc.	6,104,694	122,033
* FRP Holdings Inc.	331,060	16,791
		138,824
Real Estate Services (2.3%)		
* CBRE Group Inc. Class A	15,339,335	701,775
Jones Lang LaSalle Inc.	2,160,804	309,881
^ Realogy Holdings Corp.	5,897,645	104,683
HFF Inc. Class A	1,765,779	73,139
Newmark Group Inc. Class A	5,935,489	62,026
*^ Redfin Corp.	2,324,232	41,580
* Marcus & Millichap Inc. RE/MAX Holdings Inc. Class A	902,792	35,750
	835,233	34,846
*^ Altisource Portfolio Solutions SA	521,999	12,361
		1,376,041
Total Real Estate Management & Development (Cost \$2,027,971)		1,823,390
Total Common Stocks (Cost \$52,456,129)		58,836,262
Temporary Cash Investments (1.4%)¹		
Money Market Fund (1.4%)		
^{6,7} Vanguard Market Liquidity Fund, 2.572%	8,014,411	801,441
	Face Amount (\$000)	
U.S. Government and Agency Obligations (0.0%)		
United States Treasury Bill, 2.284%, 2/21/19	3,000	2,996
Total Temporary Cash Investments (Cost \$804,420)		804,437
Total Investments (100.8%) (Cost \$53,260,549)		59,640,699
Other Assets and Liabilities (-0.8%)		
Other Assets		140,037
Liabilities ⁷		(624,070)
		(484,033)
Net Assets (100%)		59,156,666

Statement of Assets and Liabilities

	Amount (\$000)
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers	51,980,346
Affiliated Issuers	940,889
Vanguard Real Estate II Index Fund	6,719,464
Total Investment in Securities	59,640,699
Investment in Vanguard	2,931
Receivables for Investment Securities Sold	50,997
Receivables for Accrued Income	54,493
Receivables for Capital Shares Issued	31,154
Other Assets	462
Total Assets	59,780,736
Liabilities	
Payables for Investment Securities Purchased	(8,733)
Collateral for Securities on Loan	(506,034)
Payables for Capital Shares Redeemed	(86,309)
Payables to Vanguard	(22,743)
Other Liabilities	(251)
Total Liabilities	(624,070)
Net Assets	59,156,666

At January 31, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	54,275,486
Total Distributable Earnings (Loss)	4,881,180
Net Assets	59,156,666

Investor Shares—Net Assets

Applicable to 67,572,948 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	1,871,122
Net Asset Value Per Share—Investor Shares	\$27.69

Real Estate Index Fund

Amount
(\$000)

ETF Shares—Net Assets

Applicable to 370,180,793 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	30,856,514
Net Asset Value Per Share—ETF Shares	\$83.36

Admiral Shares—Net Assets

Applicable to 154,252,324 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	18,222,943
Net Asset Value Per Share— Admiral Shares	\$118.14

Institutional Shares—Net Assets

Applicable to 448,793,032 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	8,206,087
Net Asset Value Per Share— Institutional Shares	\$18.28

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

§ Security value determined using significant unobservable inputs.

^ Includes partial security positions on loan to broker-dealers.
The total value of securities on loan is \$494,877,000.

1 The fund invests a portion of its assets in investment securities through the use of swap contracts. After giving effect to swap investments, the fund's effective investment securities and temporary cash investment positions represent 100.0% and 0.8%, respectively, of net assets.

2 Considered an affiliated company of the fund as the fund owns more than 5% of the outstanding voting securities of such company. The total value of affiliated companies is \$139,448,000.

3 "Other" represents securities that are not classified by the fund's benchmark index.

4 Considered an affiliated company of the fund as the issuer is another member of The Vanguard Group.

5 Represents a wholly owned subsidiary of the fund. See accompanying financial statements for Vanguard Real Estate II Index Fund's Statement of Net Assets.

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

7 Includes \$506,034,000 of collateral received for securities on loan.

REIT—Real Estate Investment Trust.

Derivative Financial Instruments Outstanding as of Period End

Total Return Swaps

Reference Entity	Termination Date	Counterparty	Notional Amount (\$000)	Floating Interest Rate Received (Paid) ¹	Value and Unrealized Appreciation (Depreciation) (\$000)
VICI Properties Inc.	02/04/20	GSCM	121,446	3.144	—
Omega Healthcare Investors Inc.	02/04/20	GSCM	88,016	2.514	—
VEREIT Inc.	02/04/20	GSCM	35,552	2.514	—
Federal Realty Investment Trust	02/04/20	GSCM	34,468	2.514	—
Regency Centers Corp.	02/04/20	GSCM	27,300	2.514	—
Kimco Realty Corp.	02/04/20	GSCM	10,376	2.514	—
Retail Opportunity Investments Corp.	02/04/20	GSCM	9,312	2.514	—
Brixmor Property Group Inc.	02/04/20	GSCM	7,195	2.514	—
					—

GSCM—Goldman Sachs Capital Management.

¹ Payment received/paid quarterly.

At January 31, 2019, the counterparty had deposited in segregated accounts securities with a value of \$16,674,000 in connection with open swap contracts.

Statement of Operations

Year Ended
January 31, 2019

(\$'000)

Investment Income	
Income	
Dividends Received from Unaffiliated Issuers	339,484
Dividends Received from Affiliated Issuers	1,337,301
Dividends Received from Vanguard Real Estate II Index Fund	203,421
Interest Received from Unaffiliated Issuers	2,520
Securities Lending—Net	1,942
Total Income	1,884,668
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	4,486
Management and Administrative—Investor Shares	4,276
Management and Administrative—ETF Shares	30,339
Management and Administrative—Admiral Shares	16,964
Management and Administrative—Institutional Shares	6,549
Marketing and Distribution—Investor Shares	318
Marketing and Distribution—ETF Shares	1,493
Marketing and Distribution—Admiral Shares	1,210
Marketing and Distribution—Institutional Shares	233
Custodian Fees	368
Auditing Fees	40
Shareholders' Report—Investor Shares	160
Shareholders' Reports—ETF Shares	472
Shareholders' Reports—Admiral Shares	112
Shareholders' Reports—Institutional Shares	74
Trustees' Fees and Expenses	30
Total Expenses	67,124
Net Investment Income	1,817,544
Realized Net Gain (Loss)	
Capital Gain Distributions Received from Unaffiliated Issuers	70,694
Capital Gain Distributions Received from Affiliated Issuers	305,321
Capital Gain Distributions Received from Vanguard Real Estate II Index Fund	—
Investment Securities Sold—Unaffiliated Issuers ¹	(79,366)
Investment Securities Sold—Affiliated Issuers ¹	597,521
Investment Securities Sold— Vanguard Real Estate II Index Fund	—
Futures Contracts	674
Swap Contracts	30,036

Statement of Operations (continued)

	Year Ended January 31, 2019
	(\$000)
Realized Net Gain (Loss)	924,880
Change in Unrealized Appreciation (Depreciation)	
Investment Securities—Unaffiliated Issuers	470,064
Investment Securities—Affiliated Issuers	1,486,234
Investment Securities—Vanguard Real Estate II Index Fund	389,631
Swap Contracts	59
Change in Unrealized Appreciation (Depreciation)	2,345,988
Net Increase (Decrease) in Net Assets Resulting from Operations	5,088,412

1 Includes \$2,469,578,000 of net gain (loss) resulting from in-kind redemptions, such gain (loss) is not taxable to the fund.

Statement of Changes in Net Assets

	Year Ended January 31,	
	2019	2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	1,817,544	1,912,910
Realized Net Gain (Loss)	924,880	2,288,664
Change in Unrealized Appreciation (Depreciation)	2,345,988	(3,829,824)
Net Increase (Decrease) in Net Assets Resulting from Operations	5,088,412	371,750
Distributions		
Net Investment Income		
Investor Shares	(62,454)	(69,040)
ETF Shares	(1,028,975)	(1,025,920)
Admiral Shares	(579,344)	(545,730)
Institutional Shares	(269,632)	(244,477)
Realized Capital Gain		
Investor Shares	—	(983)
ETF Shares	—	(14,088)
Admiral Shares	—	(7,496)
Institutional Shares	—	(3,343)
Return of Capital		
Investor Shares	(20,882)	(28,709)
ETF Shares	(344,053)	(426,390)
Admiral Shares	(193,713)	(226,815)
Institutional Shares	(90,156)	(101,603)
Total Distributions	(2,589,209)	(2,694,594)
Capital Share Transactions		
Investor Shares	(355,274)	(383,660)
ETF Shares	(2,701,593)	138,764
Admiral Shares	(367,595)	75,811
Institutional Shares	(371,447)	678,950
Net Increase (Decrease) from Capital Share Transactions	(3,795,909)	509,865
Total Increase (Decrease)	(1,296,706)	(1,812,979)
Net Assets		
Beginning of Period	60,453,372	62,266,351
End of Period	59,156,666	60,453,372

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

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2019	2018	2017	2016	2015
Net Asset Value, Beginning of Period	\$26.40	\$27.38	\$25.59	\$28.73	\$22.37
Investment Operations					
Net Investment Income	.787 ¹	.761 ¹	.746	.711	.645
Net Realized and Unrealized Gain (Loss) on Investments	1.639	(.614)	2.324	(2.851)	6.650
Total from Investment Operations	2.426	.147	3.070	(2.140)	7.295
Distributions					
Dividends from Net Investment Income	(.851)	(.788)	(.752)	(.695)	(.624)
Distributions from Realized Capital Gains	—	(.011)	(.187)	—	—
Return of Capital	(.285)	(.328)	(.341)	(.305)	(.311)
Total Distributions	(1.136)	(1.127)	(1.280)	(1.000)	(.935)
Net Asset Value, End of Period	\$27.69	\$26.40	\$27.38	\$25.59	\$28.73
Total Return²	9.53%	0.45%	12.07%	-7.44%	33.29%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$1,871	\$2,143	\$2,603	\$2,621	\$3,231
Ratio of Total Expenses to Average Net Assets	0.25%	0.26%	0.26%	0.26%	0.26%
Ratio of Net Investment Income to Average Net Assets	3.02%	2.87%	2.60%	2.66%	2.56%
Portfolio Turnover Rate ³	24%	6%	7%	11%	8%

1 Calculated based on average shares outstanding.

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

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Financial Highlights

ETF Shares

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2019	2018	2017	2016	2015
Net Asset Value, Beginning of Period	\$79.47	\$82.43	\$77.05	\$86.49	\$67.36
Investment Operations					
Net Investment Income	2.487 ¹	2.499 ¹	2.334	2.217	2.011
Net Realized and Unrealized Gain (Loss) on Investments	4.934	(1.945)	7.022	(8.533)	20.038
Total from Investment Operations	7.421	.554	9.356	(6.316)	22.049
Distributions					
Dividends from Net Investment Income	(2.646)	(2.458)	(2.353)	(2.170)	(1.947)
Distributions from Realized Capital Gains	—	(.034)	(.563)	—	—
Return of Capital	(.885)	(1.022)	(1.060)	(.954)	(.972)
Total Distributions	(3.531)	(3.514)	(3.976)	(3.124)	(2.919)
Net Asset Value, End of Period	\$83.36	\$79.47	\$82.43	\$77.05	\$86.49
Total Return	9.70%	0.59%	12.25%	-7.31%	33.41%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$30,857	\$32,377	\$33,527	\$27,007	\$29,487
Ratio of Total Expenses to Average Net Assets	0.12%	0.12%	0.12%	0.12%	0.12%
Ratio of Net Investment Income to Average Net Assets	3.15%	3.01%	2.74%	2.80%	2.70%
Portfolio Turnover Rate ²	24%	6%	7%	11%	8%

¹ Calculated based on average shares outstanding.

² Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2019	2018	2017	2016	2015
Net Asset Value, Beginning of Period	\$112.63	\$116.83	\$109.19	\$122.58	\$95.46
Investment Operations					
Net Investment Income	3.507 ¹	3.538 ¹	3.306	3.142	2.852
Net Realized and Unrealized Gain (Loss) on Investments	7.008	(2.761)	9.966	(12.105)	28.403
Total from Investment Operations	10.515	.777	13.272	(8.963)	31.255
Distributions					
Dividends from Net Investment Income	(3.751)	(3.483)	(3.333)	(3.076)	(2.758)
Distributions from Realized Capital Gains	—	(.048)	(.798)	—	—
Return of Capital	(1.254)	(1.447)	(1.501)	(1.351)	(1.377)
Total Distributions	(5.005)	(4.978)	(5.632)	(4.427)	(4.135)
Net Asset Value, End of Period	\$118.14	\$112.63	\$116.83	\$109.19	\$122.58
Total Return²	9.69%	0.58%	12.23%	-7.30%	33.46%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$18,223	\$17,757	\$18,337	\$15,029	\$15,725
Ratio of Total Expenses to Average Net Assets	0.11%	0.12%	0.12%	0.12%	0.12%
Ratio of Net Investment Income to Average Net Assets	3.16%	3.01%	2.74%	2.80%	2.70%
Portfolio Turnover Rate ³	24%	6%	7%	11%	8%

1 Calculated based on average shares outstanding.

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

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Financial Highlights

Institutional Shares

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2019	2018	2017	2016	2015
Net Asset Value, Beginning of Period	\$17.43	\$18.08	\$16.90	\$18.97	\$14.78
Investment Operations					
Net Investment Income	.543 ¹	.568 ¹	.515	.489	.444
Net Realized and Unrealized Gain (Loss) on Investments	1.085	(.444)	1.540	(1.870)	4.390
Total from Investment Operations	1.628	.124	2.055	(1.381)	4.834
Distributions					
Dividends from Net Investment Income	(.583)	(.542)	(.519)	(.479)	(.430)
Distributions from Realized Capital Gains	—	(.007)	(.123)	—	—
Return of Capital	(.195)	(.225)	(.233)	(.210)	(.214)
Total Distributions	(.778)	(.774)	(.875)	(.689)	(.644)
Net Asset Value, End of Period	\$18.28	\$17.43	\$18.08	\$16.90	\$18.97
Total Return	9.70%	0.60%	12.23%	-7.27%	33.43%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$8,206	\$8,176	\$7,799	\$6,785	\$6,788
Ratio of Total Expenses to Average Net Assets	0.09%	0.10%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.18%	3.03%	2.76%	2.82%	2.72%
Portfolio Turnover Rate ²	24%	6%	7%	11%	8%

1 Calculated based on average shares outstanding.

2 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

Notes to Financial Statements

Vanguard Real Estate Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund offers four classes of shares: Investor Shares, ETF Shares, Admiral Shares, and Institutional Shares. Each of the share classes has different eligibility and minimum purchase requirements, and is designed for different types of investors. ETF Shares are listed for trading on NYSE Arca; they can be purchased and sold through a broker.

On November 19, 2018, the fund announced changes to the availability and minimum investment criteria of the Investor and Admiral share classes. It is anticipated that all of the outstanding Investor Shares will be automatically converted to Admiral Shares beginning in April 2019, with the exception of those held by Vanguard funds and certain other institutional investors.

As a part of its principal investment strategy, the fund attempts to replicate its benchmark index by investing all, or substantially all, of its assets—either directly or indirectly through a wholly owned subsidiary—in the stocks that make up the index. Vanguard Real Estate II Index Fund is the wholly owned subsidiary in which the fund has invested a portion of its assets. For additional financial information about the Real Estate II Index Fund, refer to the accompanying financial statements.

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

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in affiliated Vanguard funds are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The fund may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the fund and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the year ended January 31, 2019, the fund's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period. The fund had no open futures contracts at January 31, 2019.

3. Swap Contracts: The fund has entered into equity swap contracts to earn the total return on selected reference stocks in the fund's target index. Under the terms of the swaps, the fund receives the total return on the referenced stock (i.e., receiving the increase or paying the decrease in value of the selected reference stock and receiving the equivalent of any dividends in respect of the selected referenced stock) over a specified period of time, applied to a notional amount that represents the value of a designated number of shares of the selected reference stock at the beginning of the equity swap contract. The fund also pays a floating rate that is based on short-term interest rates, applied to the notional amount. At the same time, the fund generally invests an amount approximating the notional amount of the swap in high-quality temporary cash investments.

The notional amounts of swap contracts are not recorded in the Statement of Net Assets. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until termination of the swap, at which time realized gain (loss) is recorded.

A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the fund. The fund's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The fund mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. In the event of a counterparty's default (including bankruptcy), the fund may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the fund net assets decline below a certain level, triggering a payment by the fund if the fund is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the fund has pledged. Any securities pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

During the year ended January 31, 2019, the fund's average amounts of investments in total return swaps represented less than 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2016–2019), and has concluded that no provision for federal income tax is required in the fund's financial statements.

5. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date. The portion of distributions that exceeds a fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

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

7. **Credit Facility:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at January 31, 2019, or at any time during the period then ended.

8. **Other:** Distributions received from investment securities are recorded on the ex-dividend date. Each investment security typically reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the investment securities, and management's estimates of such amounts for investment security distributions for which

actual information has not been reported. Income, capital gain, and return of capital distributions received from affiliated Vanguard funds are recorded on ex-dividend date. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

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

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the fund's liability for these costs of operations is included in Payables to Vanguard on the Statement of Assets and Liabilities. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At January 31, 2019, the fund had contributed to Vanguard capital in the amount of \$2,931,000, representing 0.00% of the fund's net assets and 1.17% of Vanguard's capitalization. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the fund's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the fund's investments as of January 31, 2019, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	58,834,184	—	2,078
Temporary Cash Investments	801,441	2,996	—
Total	59,635,625	2,996	2,078

D. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for in-kind redemptions, distribution in excess, and swap agreements were reclassified between the following accounts:

	Amount (\$000)
Paid-in Capital	2,404,292
Total Distributable Earnings (Loss)	(2,404,292)

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

	Amount (\$000)
Undistributed Ordinary Income	—
Undistributed Long-Term Gains	—
Capital Loss Carryforwards (Non-expiring)	(1,574,736)
Net Unrealized Gains (Losses)	6,380,150

As of January 31, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	53,260,549
Gross Unrealized Appreciation	8,985,718
Gross Unrealized Depreciation	(2,605,568)
Net Unrealized Appreciation (Depreciation)	6,380,150

E. During the year ended January 31, 2019, the fund purchased \$21,270,572,000 of investment securities and sold \$24,863,033,000 of investment securities, other than temporary cash investments. Purchases and sales include \$7,211,986,000 and \$10,974,355,000, respectively, in connection with in-kind purchases and redemptions of the fund's capital shares.

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

	Year Ended January 31,			
	2019		2018	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	202,254	7,803	362,805	13,160
Issued in Lieu of Cash Distributions	77,560	2,978	92,491	3,378
Redeemed	(635,088)	(24,392)	(838,956)	(30,421)
Net Increase (Decrease)—Investor Shares	(355,274)	(13,611)	(383,660)	(13,883)
ETF Shares				
Issued	8,087,624	102,051	7,194,688	86,125
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed	(10,789,217)	(139,300)	(7,055,924)	(85,400)
Net Increase (Decrease)—ETF Shares	(2,701,593)	(37,249)	138,764	725
Admiral Shares				
Issued	2,761,716	24,919	3,635,103	30,947
Issued in Lieu of Cash Distributions	680,270	6,116	685,946	5,875
Redeemed ¹	(3,809,581)	(34,442)	(4,245,238)	(36,118)
Net Increase (Decrease)—Admiral Shares	(367,595)	(3,407)	75,811	704
Institutional Shares				
Issued	1,757,587	102,091	2,396,349	131,716
Issued in Lieu of Cash Distributions	338,704	19,682	324,780	17,972
Redeemed	(2,467,738)	(142,026)	(2,042,179)	(111,955)
Net Increase (Decrease)—Institutional Shares	(371,447)	(20,253)	678,950	37,733

G. Certain of the fund's investments are in companies that are considered to be affiliated companies of the fund because the fund owns more than 5% of the outstanding voting securities of the company or the issuer is another member of The Vanguard Group. Transactions during the period in securities of these companies were as follows:

	Current Period Transactions							
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	Jan. 31, 2019 Market Value (\$000)
Acadia Realty Trust	135,395	18,506	58,993	(12,921)	29,782	4,668	—	NA ³
Agree Realty Corp.	90,915	15,114	36,106	7,110	20,604	2,578	—	NA ³
Alexander & Baldwin Inc.	120,082	18,974	47,251	(6,679)	(9,323)	(561)	—	NA ³
Alexandria Real Estate Equities Inc.	800,695	146,296	289,082	58,067	(56,948)	13,333	5,308	NA ³

Real Estate Index Fund

	Current Period Transactions							
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	Jan. 31, 2019 Market Value (\$000)
Altisource Residential Corp.	36,772	301	1,885	1,000	(35,675)	(512)	—	—
American Campus Communities Inc.	345,867	49,605	152,480	(9,666)	59,584	2,984	13,638	NA ³
Apartment Investment & Management Co.	432,922	59,086	175,432	24,305	29,559	4,337	8,622	NA ³
Apple Hospitality REIT Inc.	272,226	33,181	97,268	(7,334)	(29,459)	11,592	—	NA ³
Armada Hoffer Properties Inc.	42,716	8,473	17,675	627	1,436	535	192	NA ³
Ashford Hospitality Prime Inc.	15,186	448	2,974	(2,052)	(10,451)	(276)	—	—
Ashford Hospitality Trust Inc.	41,331	5,275	20,300	(319)	(3,555)	(248)	—	NA ³
AvalonBay Communities Inc.	1,550,548	215,316	631,695	32,320	100,632	32,011	10,109	NA ³
Boston Properties Inc.	1,258,471	169,678	507,019	18,049	30,129	21,462	6,421	NA ³
Brandywine Realty Trust	207,416	23,918	72,189	3,900	(33,946)	5,157	—	NA ³
Brixmor Property Group Inc.	319,202	44,100	134,056	(63,930)	74,970	14,031	—	NA ³
Brookfield Property REIT Inc	NA ²	272,640	100,879	(13,241)	(21,133)	1,370	5,942	137,387
Camden Property Trust	528,910	73,973	219,439	27,339	16,319	14,438	443	NA ³
CareTrust REIT Inc.	79,575	16,899	33,112	(899)	22,607	3,214	—	NA ³
CBL & Associates Properties Inc.	62,714	6,323	21,407	(46,933)	19,678	4,860	—	NA ³
Cedar Realty Trust Inc.	30,746	3,227	10,240	(4,276)	(3,950)	438	—	NA ³
Chatham Lodging Trust	67,005	8,329	24,792	(4,811)	(1,681)	2,715	—	NA ³
Chesapeake Lodging Trust	108,533	15,684	47,297	3,970	545	3,224	1,781	NA ³
Colony NorthStar Inc. Class A	309,780	9,124	68,813	(213,477)	(34,369)	535	599	—
Columbia Property Trust Inc.	174,942	21,664	75,278	(6,687)	6,283	5,161	—	NA ³
CoreCivic Inc.	180,820	24,131	70,951	(33,713)	11,142	9,670	—	NA ³

Real Estate Index Fund

	Current Period Transactions							Jan. 31, 2019 Market Value (\$000)
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Corporate Office Properties Trust	179,024	26,144	70,772	(10,155)	(3,014)	4,755	—	NA ³
Cousins Properties Inc.	249,205	34,076	101,967	(851)	(4,142)	5,561	89	NA ³
CubeSmart	327,031	51,632	139,366	26,094	7,500	8,851	1,685	NA ³
CyrusOne Inc.	329,980	88,567	145,936	33,939	(48,644)	(135)	—	NA ³
DCT Industrial Trust Inc.	363,151	25,669	110,700	32,561	(306,251)	(758)	—	—
DDR Corp.	167,216	13,741	61,987	(36,701)	(82,999)	22,428	—	—
DiamondRock Hospitality Co.	155,274	22,538	59,657	(2,395)	(15,353)	5,232	—	NA ³
Digital Realty Trust Inc.	1,513,956	207,603	598,824	140,301	(191,884)	34,720	—	NA ³
Douglas Emmett Inc.	394,265	54,113	153,514	28,593	(33,835)	2,317	—	NA ³
Duke Realty Corp.	619,410	87,907	260,653	53,174	(3,257)	12,478	3,314	NA ³
Easterly Government Properties Inc.	53,553	23,748	19,298	972	(7,260)	1,259	—	NA ³
EastGroup Properties Inc.	196,347	32,580	80,642	21,776	6,247	4,969	—	NA ³
Education Realty Trust Inc.	159,394	15,677	210,314	23,868	9,218	(1,895)	3,536	—
EPR Properties	286,885	44,466	123,739	1,725	47,764	16,009	714	NA ³
Equinix Inc.	2,339,501	291,269	839,618	129,570	(430,940)	38,716	—	NA ³
Equity Commonwealth	244,644	34,725	110,535	10,346	4,643	15,122	—	NA ³
Equity LifeStyle Properties Inc.	470,384	71,706	198,600	66,529	14,618	9,576	—	NA ³
Equity Residential	1,492,184	211,452	620,928	(36,765)	224,291	35,667	5,845	NA ³
Essex Property Trust Inc.	1,013,827	144,077	429,112	71,379	51,213	19,934	5,553	NA ³
Extra Space Storage Inc.	693,324	103,606	306,674	84,793	17,890	22,355	15	NA ³
Federal Realty Investment Trust	544,060	80,574	228,288	(569)	33,182	14,439	—	NA ³
First Industrial Realty Trust Inc.	243,894	42,448	99,229	25,576	(16,197)	4,377	1,164	NA ³
Forest City Realty Trust Inc. Class A	330,139	37,053	381,824	76,450	(58,428)	1,062	—	—
Four Corners Property Trust Inc.	95,230	24,371	43,703	7,407	6,238	2,947	—	NA ³

Real Estate Index Fund

	Current Period Transactions							Jan. 31, 2019 Market Value (\$000)
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Franklin Street Properties Corp.	68,033	7,055	23,051	(7,603)	(8,954)	1,291	—	NA ³
Gaming and Leisure Properties Inc.	428,876	117,690	189,420	(877)	5,632	23,334	270	NA ³
Front Yard Residential Corp.	NA ²	4,531	12,127	(2,786)	37,874	366	—	NA ³
GEO Group Inc.	184,462	24,609	83,644	(3,727)	9,605	6,958	—	NA ³
Getty Realty Corp.	58,003	8,975	23,838	3,158	5,828	2,081	238	NA ³
Gladstone Commercial Corp.	34,680	4,205	14,078	(475)	2,947	497	—	NA ³
Global Net Lease Inc.	81,413	17,455	37,075	(6,735)	15,467	1,873	—	NA ³
Government Properties Income Trust	108,827	10,624	36,103	(7,666)	21,975	577	—	—
Gramercy Property Trust	252,621	16,442	286,956	31,445	(16,594)	(3,833)	10,276	—
HCP Inc.	744,106	109,803	312,947	(127,928)	291,264	24,564	13,391	NA ³
Healthcare Realty Trust Inc.	243,780	32,503	96,953	781	10,825	5,041	810	NA ³
Healthcare Trust of America Inc. Class A	365,173	49,525	138,585	(4,721)	5,589	6,501	6,549	NA ³
Hersha Hospitality Trust Class A	51,171	5,941	25,809	(703)	3,136	674	—	NA ³
Highwoods Properties Inc.	326,002	42,233	127,026	5,797	(29,355)	8,294	1,751	NA ³
Hospitality Properties Trust	308,288	38,498	119,588	(7,934)	(11,767)	17,711	—	NA ³
Host Hotels & Resorts Inc.	1,012,323	138,843	403,183	14,670	(125,391)	32,335	116	NA ³
Hudson Pacific Properties Inc.	327,281	44,118	135,118	12,263	(2,883)	266	2,513	NA ³
Independence Realty Trust Inc.	49,505	7,823	19,328	865	4,934	1,493	1,028	NA ³
Investors Real Estate Trust	45,038	5,910	18,740	(6,706)	6,868	(174)	1,939	NA ³
Iron Mountain Inc.	611,738	84,028	232,883	(15,218)	35,333	30,626	1,539	NA ³
iStar Inc.	45,217	5,949	16,792	(2,173)	(1,252)	—	605	NA ³
JBG SMITH Properties	210,407	59,354	84,534	3,640	20,939	3,096	2,345	NA ³
Kilroy Realty Corp.	462,201	67,668	188,766	24,770	(29,158)	7,601	43	NA ³
Kimco Realty Corp.	436,518	60,611	190,090	(88,156)	103,505	10,814	11,891	NA ³

Real Estate Index Fund

	Current Period Transactions							
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	Jan. 31, 2019 Market Value (\$000)
Kite Realty Group Trust	95,092	6,399	33,155	(16,608)	15,871	2,971	—	NA ³
LaSalle Hotel Properties	227,890	22,255	164,913	25,839	(4,650)	4,291	—	—
Lexington Realty Trust	128,736	15,773	51,678	(8,404)	12,240	6,916	—	NA ³
Liberty Property Trust	402,322	57,643	168,891	16,013	23,882	10,307	1,946	NA ³
Life Storage Inc.	255,145	38,675	114,583	7,645	29,284	6,908	2,480	NA ³
LTC Properties Inc.	106,910	14,582	43,815	1,253	9,660	605	4,148	NA ³
Macerich Co.	511,617	54,465	217,492	(27,155)	(82,959)	11,797	304	NA ³
Mack-Cali Realty Corp.	112,923	15,873	39,902	(17,849)	17,562	1,560	2,113	NA ³
Medical Properties Trust Inc.	313,870	48,766	141,184	3,712	86,501	7,784	11,570	NA ³
MGM Growth Properties LLC Class A	127,934	38,995	52,117	2,395	9,768	4,591	—	NA ³
Mid-America Apartment Communities Inc.	713,570	98,598	289,683	42,847	(18,184)	21,665	175	NA ³
Monmouth Real Estate Investment Corp.	75,450	18,921	24,950	4,938	(19,624)	2,456	2	NA ³
National Health Investors Inc.	190,628	27,937	78,681	7,824	18,090	7,194	—	NA ³
National Retail Properties Inc.	390,140	65,118	161,291	16,992	82,102	13,175	446	NA ³
National Storage Affiliates Trust	82,472	21,506	35,324	3,759	6,321	2,235	—	NA ³
New Senior Investment Group Inc.	41,482	4,565	20,556	(11,625)	5,873	—	—	NA ³
New York REIT Inc.	22,353	2,346	19,525	(31,501)	55,055	(21,470)	—	NA ³
NexPoint Residential Trust Inc.	31,311	6,205	14,415	2,098	8,032	285	—	NA ³
NorthStar Realty Europe Corp.	41,298	5,522	24,930	3,956	8,258	—	1,621	NA ³
Omega Healthcare Investors Inc.	351,475	56,972	234,349	558	121,839	14,160	180	NA ³
Paramount Group Inc.	200,818	27,649	73,747	(10,198)	2,297	3,111	879	NA ³

Real Estate Index Fund

	Current Period Transactions							
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	Jan. 31, 2019 Market Value (\$000)
Park Hotels & Resorts Inc.	NA ²	67,853	97,270	1,906	7,953	13,963	13,049	NA ³
Pebblebrook Hotel Trust	177,289	28,574	77,159	9,995	(45,891)	5,830	—	NA ³
Pennsylvania REIT	51,388	5,836	21,071	(12,866)	532	1,227	—	NA ³
Physicians Realty Trust	190,800	29,212	77,826	(7,600)	26,179	2,111	—	NA ³
Piedmont Office Realty Trust Inc. Class A	187,225	20,989	86,389	(3,295)	(1,172)	6,310	—	NA ³
Preferred Apartment Communities Inc. Class A	35,483	22,928	25,040	(7,532)	4,936	476	450	NA ³
Prologis Inc.	2,281,569	339,352	959,261	242,975	166,624	42,019	16,781	NA ³
Public Storage	2,019,383	298,818	873,406	102,656	36,711	65,694	1,049	NA ³
QTS Realty Trust Inc. Class A	159,765	19,015	50,507	(3,757)	(22,126)	2,482	—	NA ³
Quality Care Properties Inc.	83,525	6,457	131,173	33,609	7,582	—	—	—
Ramco-Gershenson Properties Trust	69,142	6,995	23,014	(4,904)	18,102	(205)	—	—
Realogy Holdings Corp.	NA ²	177,094	28,929	(4,612)	(43,822)	1,661	—	NA ³
Realty Income Corp.	961,952	155,141	385,906	23,539	193,695	29,621	—	NA ³
Regency Centers Corp.	634,791	118,256	308,676	(8,707)	7,974	17,686	—	NA ³
Retail Opportunity Investments Corp.	123,236	17,995	51,365	3,140	(8,061)	3,232	268	NA ³
Retail Properties of America Inc.	183,468	23,764	80,710	(14,425)	21,936	5,565	—	NA ³
Rexford Industrial Realty Inc.	139,212	42,383	50,212	11,730	3,170	2,663	—	NA ³
RLJ Lodging Trust	266,228	33,078	100,713	(8,784)	(36,428)	7,102	4,878	NA ³
Ryman Hospitality Properties Inc.	232,432	31,754	95,547	26,593	(18,436)	8,014	123	NA ³
Sabra Health Care REIT Inc.	209,688	31,715	91,795	(24,909)	47,406	10,607	6,723	NA ³
SBA Communications Corp. Class A	NA ²	1,059,863	177,414	2,907	96,246	—	—	NA ³

Real Estate Index Fund

	Current Period Transactions							
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	Jan. 31, 2019 Market Value (\$000)
Senior Housing Properties Trust	271,328	33,560	103,374	(21,228)	(24,821)	6,087	12,763	NA ³
Seritage Growth Properties Class A	68,238	24,688	23,648	426	(3,945)	674	435	NA ³
Simon Property Group Inc.	3,346,756	477,033	1,409,749	135,330	128,719	129,060	5,100	NA ³
SL Green Realty Corp.	655,463	74,636	306,190	(22,219)	(21,142)	5,980	9,639	NA ³
Spirit MTA REIT	NA ²	29,004	9,911	278	(3,244)	3,185	316	NA ³
Spirit Realty Capital Inc.	246,845	29,941	112,816	(28,178)	22,855	9,779	25,063	NA ³
STAG Industrial Inc.	153,983	31,233	59,095	5,933	4,272	5,244	1,228	NA ³
STORE Capital Corp.	276,198	55,433	116,637	7,889	60,949	10,121	1,601	NA ³
Summit Hotel Properties Inc.	106,473	12,360	38,357	2,592	(27,447)	4,086	—	NA ³
Sun Communities Inc.	462,846	83,104	216,614	62,072	28,126	6,288	603	NA ³
Sunstone Hotel Investors Inc.	250,335	32,668	95,215	8,194	(40,819)	7,064	624	NA ³
Tanger Factory Outlet Centers Inc.	157,570	18,973	59,546	(20,915)	4,628	6,709	3	NA ³
Taubman Centers Inc.	246,647	30,321	93,285	(14,349)	(22,606)	4,765	86	NA ³
Terreno Realty Corp.	122,901	23,159	46,507	9,265	3,431	2,065	412	NA ³
Tier REIT Inc.	61,273	12,703	26,894	5,768	4,481	1,460	—	NA ³
UDR Inc.	644,129	90,742	267,464	36,584	55,597	10,295	4,396	NA ³
UMH Properties Inc.	26,624	17,200	20,970	(4,239)	3,472	577	—	NA ³
Universal Health Realty Income Trust	56,751	7,100	20,891	4,591	(3,939)	1,606	225	NA ³
Urban Edge Properties	175,346	21,301	64,638	(2,522)	(18,401)	5,309	—	NA ³
Vanguard Market Liquidity Fund	164,286	NA ⁴	NA ⁴	3	20	2,495	—	801,441
Vanguard Real Estate II Index Fund	6,126,412	278,676	—	—	389,631	203,421	—	6,719,464
Ventas Inc.	1,313,443	180,876	522,294	(34,003)	154,490	54,781	3,672	NA ³
VEREIT Inc.	462,377	61,043	231,615	(81,319)	141,892	844	—	NA ³
Vornado Realty Trust	805,092	107,040	316,609	(19,722)	(6,341)	20,074	1,967	NA ³

Real Estate Index Fund

	Current Period Transactions							
	Jan. 31, 2018 Market Value (\$000)	Purchases at Cost (\$000)	Proceeds from Securities Sold ¹ (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	Jan. 31, 2019 Market Value (\$000)
Washington Prime Group Inc.	80,600	11,819	34,050	(35,186)	27,286	9,978	—	NA ³
Washington REIT	145,371	19,077	56,316	(1,536)	(9,189)	1,592	—	NA ³
Weingarten Realty Investors	237,807	30,598	94,279	(15,069)	6,284	7,794	10,677	NA ³
Welltower Inc.	1,457,867	215,423	592,097	(66,985)	358,048	44,511	22,578	NA ³
Whitestone REIT	33,393	5,257	16,314	(395)	1,643	819	799	NA ³
Winthrop Realty Trust	12,674	—	10,504	—	(109)	946	—	2,061
WP Carey Inc.	456,443	246,622	206,183	167	72,262	21,665	3,675	NA ³
Xenia Hotels & Resorts Inc.	156,245	25,164	62,033	849	(20,293)	6,160	—	NA ³
	57,342,038	9,466,991	22,161,786	597,571	1,875,865	1,540,721	305,321	7,660,353

1 Does not include adjustments to related return of capital.

2 Not Applicable—at January 31, 2018, the issuer was not an affiliated company of the fund.

3 Not Applicable—at January 31, 2019, the security was still held, but the issuer was no longer an affiliated company of the fund.

4 Not Applicable—purchases and sales are for temporary cash investment purposes.

H. Management has determined that no events or transactions occurred subsequent to January 31, 2019, that would require recognition or disclosure in these financial statements.

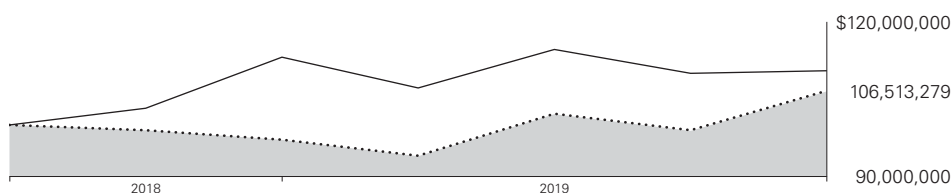
Real Estate II Index Fund

Performance Summary

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

Cumulative Performance: September 26, 2017, Through January 31, 2019

Initial Investment of \$100,000,000



	Average Annual Total Returns Periods Ended January 31, 2019			Final Value of a \$100,000,000 Investment
	One Year	Since Inception (9/26/2017)		
Real Estate II Index Fund	9.68%	4.79%		\$106,513,279
Real Estate Spliced Index	9.77	4.88		106,637,183
Dow Jones U.S. Total Stock Market Float Adjusted Index	-2.32	7.70		110,518,068

Real Estate Spliced index: MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through February 1, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index through July 24, 2018; MSCI US Investable Market Real Estate 25/50 Index thereafter.

*"Since Inception" performance is calculated from the fund's inception date for both the fund and its comparative standard.

Average Annual Total Returns: Periods Ended December 31, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Since Inception
Vanguard Real Estate II Index Fund	9/26/2017	-5.95%	-3.71%

See Financial Highlights for dividend and capital gains information.

Sector Diversification

As of January 31, 2019

Diversified Real Estate Activities	0.2%
Diversified REITs	4.4
Health Care REITs	10.0
Hotel & Resort REITs	5.0
Industrial REITs	7.0
Office REITs	10.0
Real Estate Development	0.4
Real Estate Operating Companies	0.3
Real Estate Services	2.6
Residential REITs	13.9
Retail REITs	14.6
Specialized REITs	31.6

The table reflects the fund's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P"), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Financial Statements

Statement of Net Assets

As of January 31, 2019

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov.

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (96.1%)¹			National Health Investors Inc.		
Diversified REITs (4.4%)			Physicians Realty Trust		
WP Carey Inc.	981,106	73,475	256,725	21,375	
Liberty Property Trust	900,206	42,436	1,109,151	20,087	
STORE Capital Corp.	1,126,597	36,412	Senior Housing Properties Trust		
VEREIT Inc.	2,842,952	22,971	1,448,351	19,944	
PS Business Parks Inc.	124,759	18,114	LTC Properties Inc.		
Colony Capital Inc.	2,832,339	17,192	241,351	11,450	
Empire State Realty Trust Inc.	864,086	13,359	CareTrust REIT Inc.		
Lexington Realty Trust	1,314,721	12,634	493,136	10,839	
Washington REIT	478,934	12,141	Universal Health Realty Income Trust		
* Alexander & Baldwin Inc.	416,994	9,608	79,454	5,539	
American Assets Trust Inc.	201,365	8,647	New Senior Investment Group Inc.		
Global Net Lease Inc.	434,416	8,423	501,057	2,716	
Armada Hoffler Properties Inc.	297,138	4,463	MedEquities Realty Trust Inc.		
iStar Inc.	413,504	3,965	174,099	2,014	
Essential Properties Realty Trust Inc.	225,804	3,590	672,073		
Gladstone Commercial Corp.	175,065	3,493	Hotel & Resort REITs (4.9%)		
One Liberty Properties Inc.	87,811	2,388	Host Hotels & Resorts Inc.		
		293,311	4,516,920	81,575	
Health Care REITs (10.0%)			Park Hotels & Resorts Inc.		
Welltower Inc.	2,265,516	175,555	1,225,700	36,857	
Ventas Inc.	2,170,646	139,985	Hospitality Properties Trust		
HCP Inc.	2,861,091	90,239	1,001,443	26,698	
^ Omega Healthcare Investors Inc.	1,219,881	49,027	Pebblebrook Hotel Trust		
Medical Properties Trust Inc.	2,221,885	40,438	794,442	25,462	
Healthcare Trust of America Inc. Class A	1,263,958	35,922	Ryman Hospitality Properties Inc.		
Healthcare Realty Trust Inc.	762,839	24,632	281,391	22,610	
Sabra Health Care REIT Inc.	1,086,245	22,311	Apple Hospitality REIT Inc.		
			1,333,661	21,885	
			Sunstone Hotel Investors Inc.		
			1,390,754	19,888	
			RLJ Lodging Trust		
			1,068,249	19,816	
			MGM Growth Properties LLC Class A		
			521,895	16,179	
			DiamondRock Hospitality Co.		
			1,265,328	12,856	
			Xenia Hotels & Resorts Inc.		
			681,463	12,791	
			Chesapeake Lodging Trust		
			367,899	10,478	
			Summit Hotel Properties Inc.		
			638,735	7,135	
			Chatham Lodging Trust		
			279,729	5,653	

Real Estate II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Hersha Hospitality Trust Class A	228,278	4,230	Office Properties Income Trust	293,846	9,412
CorePoint Lodging Inc.	253,747	3,106	Tier REIT Inc.	309,483	7,273
Ashford Hospitality Trust Inc.	570,486	2,824	Easterly Government Properties Inc.	368,108	6,611
Braemar Hotels & Resorts Inc.	177,588	1,975	Franklin Street Properties Corp.	654,314	4,855
		332,018	NorthStar Realty Europe Corp.	273,493	4,592
Industrial REITs (7.0%)			City Office REIT Inc.	208,484	2,410
Prologis Inc.	3,833,608	265,132			671,706
Duke Realty Corp.	2,175,713	63,618	Residential REITs (13.8%)		
First Industrial Realty Trust Inc.	767,360	25,108	Equity Residential	2,242,732	162,733
EastGroup Properties Inc.	217,459	22,498	AvalonBay Communities Inc.	841,740	162,388
Rexford Industrial Realty Inc.	556,048	18,683	Essex Property Trust Inc.	402,219	109,082
STAG Industrial Inc.	635,657	17,525	UDR Inc.	1,629,894	71,308
Americold Realty Trust	583,186	17,099	Mid-America Apartment Communities Inc.	693,125	70,200
Terreno Realty Corp.	355,519	14,342	Camden Property Trust	565,161	54,792
Industrial Logistics Properties Trust	396,192	8,514	Equity LifeStyle Properties Inc.	515,411	54,572
Hannon Armstrong Sustainable Infrastructure Capital Inc.	329,420	7,442	Sun Communities Inc.	493,704	54,263
Monmouth Real Estate Investment Corp.	517,207	7,106	Apartment Investment & Management Co.	958,336	47,457
Innovative Industrial Properties Inc.	54,276	3,361	Invitation Homes Inc.	1,902,148	42,779
		470,428	American Campus Communities Inc.	834,497	38,404
Office REITs (10.0%)			American Homes 4 Rent Class A	1,618,927	35,794
Boston Properties Inc.	940,396	124,010	Independence Realty Trust Inc.	534,673	5,587
Alexandria Real Estate Equities Inc.	644,062	84,829	Investors Real Estate Trust	72,639	4,276
Vornado Realty Trust	1,042,769	72,900	NexPoint Residential Trust Inc.	112,250	4,199
SL Green Realty Corp.	527,275	48,736	Preferred Apartment Communities Inc.	243,422	3,870
Kilroy Realty Corp.	612,459	43,154	Class A	243,422	3,870
Douglas Emmett Inc.	983,245	37,196	Front Yard Residential Corp.	309,581	3,350
Hudson Pacific Properties Inc.	954,415	30,990	UMH Properties Inc.	202,268	2,838
Highwoods Properties Inc.	630,346	27,937			927,892
JBG SMITH Properties	696,266	26,911	Retail REITs (14.5%)		
Equity Commonwealth	739,751	23,938	Simon Property Group Inc.	1,883,006	342,933
Cousins Properties Inc.	2,561,244	22,667	Realty Income Corp.	1,766,210	121,321
Paramount Group Inc.	1,318,219	19,088	Regency Centers Corp.	928,728	60,367
Brandywine Realty Trust	1,087,481	16,367	Federal Realty Investment Trust	447,551	59,332
Columbia Property Trust Inc.	718,280	15,852	National Retail Properties Inc.	955,949	50,388
Corporate Office Properties Trust	628,566	15,519	Kimco Realty Corp.	2,566,368	43,654
Piedmont Office Realty Trust Inc. Class A	781,590	15,132			
Mack-Cali Realty Corp.	549,862	11,327			

Real Estate II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Brixmor Property Group Inc.	1,843,302	31,576	Lamar Advertising Co. Class A	515,310	38,365
Macerich Co.	644,371	29,744	CubeSmart	1,131,978	35,035
Weingarten Realty Investors	741,717	21,280	EPR Properties	452,839	33,084
Spirit Realty Capital Inc.	522,283	20,745	CyrusOne Inc.	603,619	32,716
Taubman Centers Inc.	371,666	18,509	Life Storage Inc.	283,825	27,892
Brookfield Property REIT Inc. Class A	961,634	17,502	Rayonier Inc.	788,607	24,005
Retail Properties of America Inc.	1,336,488	16,893	CoreSite Realty Corp.	209,912	20,737
Acadia Realty Trust	496,160	14,255	Uniti Group Inc.	1,016,887	20,246
Urban Edge Properties	694,153	14,175	Outfront Media Inc.	847,672	17,589
Tanger Factory Outlet Centers Inc.	571,620	13,004	GEO Group Inc.	741,236	16,715
SITE Centers Corp.	955,561	12,489	PotlatchDeltic Corp.	390,783	14,412
Agree Realty Corp.	188,869	12,471	CoreCivic Inc.	721,717	14,341
Retail Opportunity Investments Corp.	686,514	12,062	QTS Realty Trust Inc. Class A	310,599	13,079
Kite Realty Group Trust	509,950	8,481	Four Corners Property Trust Inc.	406,863	11,490
^ Seritage Growth Properties Class A	206,633	8,309	National Storage Affiliates Trust	344,172	10,015
Getty Realty Corp.	208,701	6,691	InfraREIT Inc.	267,771	5,650
Washington Prime Group Inc.	1,134,503	6,444	CatchMark Timber Trust Inc. Class A	299,502	2,753
RPT Realty	487,571	6,382	CorEnergy Infrastructure Trust Inc.	72,968	2,613
Alexander's Inc.	13,995	4,661	Jernigan Capital Inc.	118,217	2,563
Saul Centers Inc.	82,069	4,346	^ Farmland Partners Inc.	189,631	1,064
Urstadt Biddle Properties Inc. Class A	181,434	3,886			2,114,856
Pennsylvania REIT	428,685	3,159	Total Equity Real Estate Investment Trusts (REITs) (Cost \$6,189,450)		6,459,860
Whitestone REIT	218,508	3,099	Real Estate Management & Development (3.5%)		
Retail Value Inc.	92,373	2,809	Diversified Real Estate Activities (0.2%)		
^ CBL & Associates Properties Inc.	1,052,769	2,621	* St. Joe Co.	223,488	3,478
Spirit MTA REIT	263,024	2,057	* Five Point Holdings LLC Class A	363,669	2,789
Cedar Realty Trust Inc.	553,154	1,931	* Tejon Ranch Co.	134,504	2,531
		977,576	RMR Group Inc. Class A	37,023	2,444
Specialized REITs (31.5%)					11,242
American Tower Corp.	2,684,511	463,991	Real Estate Development (0.4%)		
Crown Castle International Corp.	2,526,233	295,721	* Howard Hughes Corp.	249,157	27,666
Public Storage	954,956	202,947	* Forestar Group Inc.	63,448	1,016
Equinix Inc.	484,179	190,767			28,682
Digital Realty Trust Inc.	1,255,063	135,974	Real Estate Operating Companies (0.3%)		
* SBA Communications Corp. Class A	699,354	127,653	Kennedy-Wilson Holdings Inc.	790,021	15,792
Weyerhaeuser Co.	4,614,230	121,077	* FRP Holdings Inc.	42,845	2,173
Extra Space Storage Inc.	770,351	75,964			17,965
Iron Mountain Inc.	1,655,492	61,584	Real Estate Services (2.6%)		
VICI Properties Inc.	2,249,296	48,427	* CBRE Group Inc. Class A	1,965,847	89,938
Gaming and Leisure Properties Inc.	1,236,977	46,387	Jones Lang LaSalle Inc.	277,320	39,770
			^ Realogy Holdings Corp.	755,023	13,402
			HFF Inc. Class A	226,446	9,379

Real Estate II Index Fund

	Shares	Market Value* (\$000)
Newmark Group Inc. Class A	762,471	7,968
*^ Redfin Corp.	296,928	5,312
* Marcus & Millichap Inc. RE/MAX Holdings Inc. Class A	117,322	4,646
108,289	4,518	
*^ Altisource Portfolio Solutions SA	67,274	1,593
		176,526

Total Real Estate Management & Development (Cost \$258,520) 234,415

Total Common Stocks (Cost \$6,447,970) 6,694,275

Temporary Cash Investment (1.2%)¹

Money Market Fund (1.2%)
^{2,3} Vanguard Market Liquidity Fund, 2.572% 756,577 75,658

Total Temporary Cash Investments (Cost \$75,657) 75,658

Total Investments (100.8%) (Cost \$6,523,627) 6,769,933

Amount (\$000)

Other Assets and Liabilities (-0.8%)

Other Assets
Investment in Vanguard 332
Receivables for Accrued Income 6,181
Other Assets 867

Total Other Assets 7,380

Payables for Investment Securities
Purchased (1,148)
Collateral for Securities on Loan (56,420)
Payables to Vanguard (281)

Total Liabilities (57,849)

Net Assets (100%)

Applicable to 334,289,153 outstanding
\$.001 par value shares of beneficial
interest (unlimited authorization) 6,719,464

Net Asset Value Per Share \$20.10

At January 31, 2019, net assets consisted of:

	Amount (\$000)
Paid-in Capital	6,539,291
Total Distributable Earnings (Loss)	180,173
Net Assets	6,719,464

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

^ Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$55,241,000.

1 The fund invests a portion of its assets in investment securities through the use of swap contracts. After giving effect to swap investments, the fund's effective investment securities and temporary cash investment positions represent 100.0% and 0.8%, respectively, of net assets.

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

3 Includes \$56,420,000 of collateral received for securities on loan.

REIT—Real Estate Investment Trust.

Derivative Financial Instruments Outstanding as of Period End

Total Return Swaps

Reference Entity	Termination Date	Counterparty	Notional Amount (\$000)	Floating Interest Rate Received (Paid) ¹	Value and Unrealized Appreciation (Depreciation) (\$000)
VEREIT Inc.	02/04/20	GSCM	24,644	2.514	—

GSCM—Goldman Sachs Capital Management.

¹ Payment received/paid quarterly.

At January 31, 2019, the counterparty had deposited in segregated accounts securities with a value of \$544,000 in connection with open swap contracts.

Statement of Operations

	Year Ended January 31, 2019
	(\$000)
Investment Income	
Income	
Dividends ¹	204,136
Securities Lending—Net	183
Total Income	204,319
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	1,077
Management and Administrative	3,482
Marketing and Distribution	88
Custodian Fees	180
Auditing Fees	44
Shareholders' Reports	47
Trustees' Fees and Expenses	20
Total Expenses	4,938
Net Investment Income	199,381
Realized Net Gain (Loss)	
Capital Gain Distributions Received	44,611
Investment Securities Sold ¹	(122,645)
Futures Contracts	118
Swap Contracts	1,519
Realized Net Gain (Loss)	(76,397)
Change in Unrealized Appreciation (Depreciation) of Investment Securities¹	470,068
Net Increase (Decrease) in Net Assets Resulting from Operations	593,052

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$142,000, (\$2,000), and \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Year Ended January 31, 2019	Sept. 26, 2017 ¹ to January 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	199,381	85,094
Realized Net Gain (Loss)	(76,397)	9,589
Change in Unrealized Appreciation (Depreciation)	470,068	(223,762)
Net Increase (Decrease) in Net Assets Resulting from Operations	593,052	(129,079)
Distributions		
Net Investment Income	(203,421)	(70,790)
Realized Capital Gain	—	(9,589)
Return of Capital	(75,255)	(2,954)
Total Distributions	(278,676)	(83,333)
Capital Share Transactions		
Issued	—	6,255,491
Issued in Lieu of Cash Distributions	278,676	83,333
Redeemed	—	—
Net Increase (Decrease) from Capital Share Transactions	278,676	6,338,824
Total Increase (Decrease)	593,052	6,126,412
Net Assets		
Beginning of Period	6,126,412	—
End of Period	6,719,464	6,126,412

¹ Inception.

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

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended January 31, 2019	Sept. 26, 2017 ¹ to Jan. 31, 2018
Net Asset Value, Beginning of Period	\$19.17	\$20.00
Investment Operations		
Net Investment Income ²	.611	.268
Net Realized and Unrealized Gain (Loss) on Investments	1.176	(.834)
Total from Investment Operations	1.787	(.566)
Distributions		
Dividends from Net Investment Income	(.626)	(.225)
Distributions from Realized Capital Gains	—	(.030)
Return of Capital	(.231)	(.009)
Total Distributions	(.857)	(.264)
Net Asset Value, End of Period	\$20.10	\$19.17
Total Return	9.68%	-2.89%
Ratios/Supplemental Data		
Net Assets, End of Period (Millions)	\$6,719	\$6,126
Ratio of Total Expenses to Average Net Assets	0.08%	0.08% ³
Ratio of Net Investment Income to Average Net Assets	3.22%	3.84% ³
Portfolio Turnover Rate	23%	1%

¹ Inception.

² Calculated based on average shares outstanding.

³ Annualized.

Notes to Financial Statements

Vanguard Real Estate II Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund is a wholly owned subsidiary of Vanguard Real Estate Index Fund (“Real Estate Index Fund”), and at January 31, 2019, the Real Estate Index Fund was the record and beneficial owner of 100% of the fund’s net assets. As part of the Real Estate Index Fund’s principal investment strategy, it attempts to replicate the benchmark index by investing all, or substantially all, of its assets—either directly or indirectly through the fund—in the stocks that make up the index.

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

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the fund’s pricing time but after the close of the securities’ primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund’s net asset value.

2. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The fund may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the fund and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the fund’s performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the year ended January 31, 2019, the fund’s average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period. The fund had no open futures contracts at January 31, 2019.

3. Swap Contracts: The fund has entered into equity swap contracts to earn the total return on selected reference stocks in the fund's target index. Under the terms of the swaps, the fund receives the total return on the referenced stock (i.e., receiving the increase or paying the decrease in value of the selected reference stock and receiving the equivalent of any dividends in respect of the selected referenced stock) over a specified period of time, applied to a notional amount that represents the value of a designated number of shares of the selected reference stock at the beginning of the equity swap contract. The fund also pays a floating rate that is based on short-term interest rates, applied to the notional amount. At the same time, the fund generally invests an amount approximating the notional amount of the swap in high-quality temporary cash investments.

The notional amounts of swap contracts are not recorded in the Statement of Net Assets. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until termination of the swap, at which time realized gain (loss) is recorded.

A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the fund. The fund's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The fund mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. In the event of a counterparty's default (including bankruptcy), the fund may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the fund net assets decline below a certain level, triggering a payment by the fund if the fund is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the fund has pledged. Any securities pledged as collateral for open contracts are noted in the Statement of Net Assets. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

During the year ended January 31, 2019, the fund's average amounts of investments in total return swaps represented less than 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. Federal Income Taxes: The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2018–2019), and has concluded that no provision for federal income tax is required in the fund's financial statements.

5. Distributions: Distributions to shareholders are recorded on the ex-dividend date. The portion of distributions that exceeds a fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

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

7. **Credit Facility:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at January 31, 2019, or at any time during the period then ended.

8. **Other:** Distributions received from investment securities are recorded on the ex-dividend date. Each investment security reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the investment securities, and management's estimates of such amounts for investment security distributions for which actual information has not been reported. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the fund's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At January 31, 2019, the fund had contributed to Vanguard capital in the amount of \$332,000, representing 0.00% of the fund's net assets and 0.13% of Vanguard's capitalization. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the fund's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

At January 31, 2019, 100% of the market value of the fund's investments was determined based on Level 1 inputs.

D. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for swap agreements were reclassified between the individual components of total distributable earnings (loss).

	Amount (\$000)
Paid-in Capital	—
Total Distributable Earnings (Loss)	—

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

	Amount (\$000)
Undistributed Ordinary Income	—
Undistributed Long-Term Gains	—
Capital Loss Carryforwards (Non-expiring)	(77,916)
Net Unrealized Gains (Losses)	246,306

As of January 31, 2019, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	6,523,627
Gross Unrealized Appreciation	546,879
Gross Unrealized Depreciation	(300,573)
Net Unrealized Appreciation (Depreciation)	246,306

E. During the year ended January 31, 2019, the fund purchased \$1,702,698,000 of investment securities and sold \$1,403,960,000 of investment securities, other than temporary cash investments.

F. Capital shares issued and redeemed were:

	Year Ended January 31, 2019	Sept. 26, 2017 ¹ to January 31, 2018
	Shares (000)	Shares (000)
Issued	—	315,418
Issued in Lieu of Cash Distributions	14,725	4,147
Redeemed	—	—
Net Increase (Decrease) in Shares Outstanding	14,725	319,565

¹ Inception.

G. Management has determined that no events or transactions occurred subsequent to January 31, 2019, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Specialized Funds and Vanguard Fixed Income Securities Funds and Shareholders of Vanguard Real Estate Index Fund and Vanguard Real Estate II Index Fund

Opinions on the Financial Statements

We have audited the accompanying statement of net assets and statement of assets and liabilities of Vanguard Real Estate Index Fund (one of the funds constituting Vanguard Specialized Funds) and the statement of net assets of Vanguard Real Estate II Index Fund (one of the funds constituting Vanguard Fixed Income Securities Funds) (hereafter collectively referred to as the "Funds") as of January 31, 2019, the related statements of operations and of changes in net assets for each of the periods indicated in the table below, including the related notes, and the financial highlights for each of the periods indicated therein (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as of January 31, 2019, the results of each of their operations and the changes in each of their net assets for each of the periods indicated in the table below, and each of the financial highlights for each of the periods indicated therein in conformity with accounting principles generally accepted in the United States of America.

Vanguard Real Estate Index Fund	Statement of operations for the year ended January 31, 2019 and statement of changes in net assets for each of the two years in the period ended January 31, 2019
Vanguard Real Estate II Index Fund	Statement of operations for the year ended January 31, 2019 and statement of changes in net assets for the year ended January 31, 2019 and for the period September 26, 2017 (inception) through January 31, 2018

Basis for Opinions

These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on the Funds' financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of January 31, 2019 by correspondence with the custodians and brokers and by agreement to

the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinions.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 14, 2019

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

Special 2018 tax information (unaudited) for Vanguard Real Estate Index Fund

This information for the fiscal year ended January 31, 2019, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$116,358,000 of qualified dividend income to shareholders during the fiscal year.

Special 2018 tax information (unaudited) for Vanguard Real Estate II Index Fund

This information for the fiscal year ended January 31, 2019, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$12,882,000 of qualified dividend income to shareholders during the fiscal year.

The People Who Govern Your Fund

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

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 212 Vanguard funds.

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

Interested Trustee¹

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2019–present) of Vanguard and of each of the investment companies served by Vanguard; chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) and trustee (2009–2007) of the Children's Hospital of Philadelphia; trustee (2018–present) of The Shipley School.

Independent Trustees

Emerson U. Fullwood

Born in 1948. Trustee since January 2008. Principal occupation(s) during the past five years and other experience: executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Former president of the Worldwide Channels Group, Latin America, and

Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. Executive in residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology. Director of SPX FLOW, Inc. (multi-industry manufacturing). Director of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) of the University of Pennsylvania. Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and professor of communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania. Trustee of the National Constitution Center.

F. Joseph Loughrey

Born in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Chairman of the board of Hillenbrand, Inc. (specialized consumer services), and the Lumina Foundation.

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

Director of the V Foundation and Oxfam America. Member of the advisory council for the College of Arts and Letters and chair of the advisory board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born in 1953. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: senior vice president and chief financial officer (retired 2013) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: president (2010–present) and chief executive officer (2011–present) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 1952. Trustee since December 2004. Principal occupation(s) during the past five years and other experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Chief investment officer and co-managing partner of HighVista Strategies LLC (private investment firm). Board of advisors and investment committee member of the Museum of Fine Arts Boston. Board member (2018–present) of RIT Capital Partners (investment firm); investment committee member of Partners Health Care System.

Sarah Bloom Raskin

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

Peter F. Volanakis

Born in 1955. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). Chairman of the board of trustees of Colby-Sawyer College. Member of the Board of Hypertherm Inc. (industrial cutting systems, software, and consumables).

Executive Officers

Glenn Booraem

Born in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

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

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

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

Vanguard Senior Management Team

Joseph Brennan
Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante

Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi
Anne E. Robinson
Michael Rollings



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All comparative mutual fund data are from Lipper, a Thomson Reuters Company, or Morningstar, Inc., unless otherwise noted.

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

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

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Vanguard Marketing Corporation, Distributor.

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