



Vanguard[®]



Annual Report | January 31, 2018

Vanguard REIT Index Fund

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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REIT Index Fund

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.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

Your Fund's Performance at a Glance

- For the 12 months ended January 31, 2018, Vanguard REIT Index Fund returned 0.45% for Investor Shares. Returns for ETF, Admiral, and Institutional Shares were a bit higher. The results were in line with those of the fund's benchmark index but lower than the average return of peer funds.
- Top-performing subsectors included industrial REITs, hotel and resort REITs, specialized REITs, and residential REITs.
- The fund's largest subsector, retail REITs, was the biggest detractor. Health care REITs also hurt performance, as did office REITs, diversified REITs, mortgage REITs, and diversified real estate activities.
- On February 1, 2018, the fund changed its name to Vanguard Real Estate Index Fund and its benchmark from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Transition Index.
- The fund is expected to complete its transition to its destination benchmark, MSCI US Investable Market Real Estate 25/50 Index, during the third quarter of 2018.

Total Returns: Fiscal Year Ended January 31, 2018

	Total Returns
Vanguard REIT Index Fund	
Investor Shares	0.45%
ETF Shares	
Market Price	0.65
Net Asset Value	0.59
Admiral™ Shares	0.58
Institutional Shares	0.60
MSCI US REIT Index	0.70
Real Estate Funds Average	2.65

Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Admiral Shares carry lower expenses and are available to investors who meet certain account-balance requirements. Institutional Shares are available to certain institutional investors who meet specific administrative, service, and account-size criteria. The Vanguard ETF® Shares shown are traded on the NYSE Arca exchange and are available only through brokers. The table provides ETF returns based on both the NYSE Arca market price and the net asset value for a share. U.S. Pat. Nos. 6,879,964; 7,337,138; 7,720,749; 7,925,573; 8,090,646; and 8,417,623.

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.

Total Returns: Ten Years Ended January 31, 2018

	Average Annual Return
REIT Index Fund Investor Shares	7.08%
REIT Spliced Index	7.21
Real Estate Funds Average	6.09

For a benchmark description, see the Glossary.

Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

The figures shown represent past performance, which is not a guarantee of future results. (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.

Expense Ratios

Your Fund Compared With Its Peer Group

	Investor Shares	ETF Shares	Admiral Shares	Institutional Shares	Peer Group Average
REIT Index Fund	0.26%	0.12%	0.12%	0.10%	1.25%

The fund expense ratios shown are from the prospectus dated September 26, 2017, and represent estimated costs for the current fiscal year. For the fiscal year ended January 31, 2018, the fund's expense ratios were 0.26% for Investor Shares, 0.12% for ETF Shares, 0.12% for Admiral Shares, and 0.10% for Institutional Shares. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

Peer group: Real Estate Funds.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Shareholder,

When you start a new job, it's natural to reflect on both the past and the future. And so it is in my case, having begun my service as just the fourth chief executive in Vanguard's history.

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

Making a real difference

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. Over the past 25 years, for example, Vanguard has lowered our funds' asset-weighted average expense ratio

from 0.31% to 0.12%. And over the past decade, 94% of our funds have beaten the average annual return of their peers.¹

Focused on your success

Vanguard is built for Vanguard investors—as a client-owned company, we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my new role as CEO, I intend to keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

As I write this, we've experienced a period of pronounced market volatility. Strong economic growth and budding signs of inflation have raised concerns about a more aggressive Federal Reserve. Although volatility can test investors' nerves, we sometimes think of this as "Vanguard weather"—a time when having a disciplined, low-cost, and long-term approach to investment management serves investors well.

Market Barometer

	Average Annual Total Returns Periods Ended January 31, 2018		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	25.84%	14.28%	15.72%
Russell 2000 Index (Small-caps)	17.18	12.12	13.33
Russell 3000 Index (Broad U.S. market)	25.16	14.11	15.53
FTSE All-World ex US Index (International)	29.63	10.20	7.48
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.15%	1.14%	2.01%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.52	1.97	2.69
Citigroup Three-Month U.S. Treasury Bill Index	0.91	0.41	0.25
CPI			
Consumer Price Index	2.07%	1.98%	1.48%

The performance data shown represent past performance, which is not a guarantee of future results.

¹ For the ten-year period through December 31, 2017, 9 of 9 Vanguard money market funds, 56 of 60 bond funds, 21 of 22 balanced funds, and 131 of 140 stock funds, or 217 of 231 Vanguard funds, outperformed their peer-group averages. Sources: Vanguard, based on data from Lipper, a Thomson Reuters Company.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and

guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,



Mortimer J. Buckley
President and Chief Executive Officer
February 15, 2018

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*

The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	2,503,465,695	87,490,567	96.6%
Emerson U. Fullwood	2,500,061,682	90,894,579	96.5%
Amy Gutmann	2,498,574,662	92,381,600	96.4%
JoAnn Heffernan Heisen	2,502,785,690	88,170,572	96.6%
F. Joseph Loughrey	2,501,562,489	89,393,773	96.6%
Mark Loughridge	2,503,584,454	87,371,807	96.6%
Scott C. Malpass	2,499,755,273	91,200,989	96.5%
F. William McNabb III	2,498,986,712	91,969,550	96.5%
Deanna Mulligan	2,503,553,783	87,402,478	96.6%
André F. Perold	2,453,401,594	137,554,668	94.7%
Sarah Bloom Raskin	2,500,665,258	90,291,004	96.5%
Peter F. Volanakis	2,501,344,074	89,612,188	96.5%

* Results are for all funds within the same trust.

Proposal 2—Approve a manager-of-managers arrangement with third-party investment advisors.

This arrangement enables the fund to enter into and materially amend investment advisory arrangements with third-party investment advisors, subject to the approval of the fund's board of trustees and certain conditions imposed by the Securities and Exchange Commission, while avoiding the costs and delays associated with obtaining future shareholder approval.

Vanguard Fund	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Fund	559,889,574	21,146,116	16,912,120	138,870,970	76.0%

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.

This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Fund	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Fund	562,115,638	20,716,853	15,115,320	138,870,970	76.3%

Proposal 4—Change the investment objective of Vanguard REIT Index Fund.

The revised investment objective will broaden the fund's investable universe to include real estate-related investments, such as certain specialized real estate investment trusts (REITs) and real estate management and development companies. The fund will continue to invest in publicly traded equity REITs.

Vanguard Fund	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Fund	535,225,893	36,724,554	25,921,900	138,946,434	72.6%

Proposal 5—Reclassify the diversification status of the REIT Index Fund to nondiversified.

Reclassifying the fund's diversification status to nondiversified, as defined by the Investment Company Act of 1940, aligns the fund's diversification status with that of Vanguard's other sector equity index funds and enables the fund to track its benchmark more closely.

Vanguard Fund	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Fund	531,277,052	35,754,603	30,840,692	138,946,434	72.1%

Fund shareholders did not approve the following proposal:

Proposal 7—Institute transparent procedures to avoid holding investments in companies that, in management’s judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights. Such procedures may include time-limited engagement with problem companies if management believes that their behavior can be changed.

The trustees recommended a vote against the proposal for the following reasons: (1) Vanguard is fully compliant with all applicable U.S. laws and regulations that prohibit the investment in any company owned or controlled by the government of Sudan; (2) the addition of further investment constraints is not in fund shareholders’ best interests if those constraints are unrelated to a fund’s stated investment objective, policies, and strategies; and (3) divestment is an ineffective means to implement social change, as it often puts the shares into the hands of another owner with no direct impact to the company’s capitalization.

Vanguard Fund	For	Abstain	Against	Broker Non-Votes	Percentage For
REIT Index Fund	108,580,304	40,616,166	448,675,877	138,946,434	14.7%

REIT Index Fund

Fund Profile

As of January 31, 2018

Share-Class Characteristics

	Investor Shares	ETF Shares	Admiral Shares	Institutional Shares
Ticker Symbol	VGSIX	VNQ	VGSLX	VGSNX
Expense Ratio ¹	0.26%	0.12%	0.12%	0.10%

Portfolio Characteristics

	Fund	MSCI US REIT Index	DJ U.S. Total Market FA Index
Number of Stocks	184	152	3,765
Median Market Cap	\$9.8B	\$9.8B	\$73.6B
Price/Earnings Ratio	32.5x	32.5x	23.8x
Price/Book Ratio	2.1x	2.2x	3.2x
Return on Equity	5.9%	5.9%	14.9%
Earnings Growth Rate	18.3%	17.1%	9.1%
Dividend Yield	4.2%	4.2%	1.7%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate	6%	—	—
Short-Term Reserves	0.1%	—	—

Dividend Yield: This yield may include some payments that represent a return of capital, capital gains distributions, or both by the underlying REITs. These amounts are determined by each REIT at the end of its fiscal year.

Subindustry Diversification (% of equity exposure)

	Fund	MSCI US REIT Index
Diversified REITs	7.3%	7.2%
Health Care REITs	11.1	11.2
Hotel & Resort REITs	7.2	7.2
Industrial REITs	7.7	7.8
Office REITs	13.2	13.2
Residential REITs	16.2	16.2
Retail REITs	19.0	19.1
Specialized REITs	18.3	18.1

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.

Volatility Measures

	MSCI US REIT Index	DJ U.S. Total Market FA Index
R-Squared	1.00	0.20
Beta	1.00	0.58

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Ten Largest Holdings (% of total net assets)

Vanguard REIT II Index Fund	Other	10.1%
Simon Property Group Inc.	Retail REITs	5.5
Equinix Inc.	Specialized REITs	3.9
Prologis Inc.	Industrial REITs	3.8
Public Storage	Specialized REITs	3.3
AvalonBay Communities Inc.	Residential REITs	2.6
Digital Realty Trust Inc.	Specialized REITs	2.5
Equity Residential	Residential REITs	2.5
Welltower Inc.	Health Care REITs	2.4
Ventas Inc.	Health Care REITs	2.2
Top Ten		38.8%

The holdings listed exclude any temporary cash investments and equity index products.

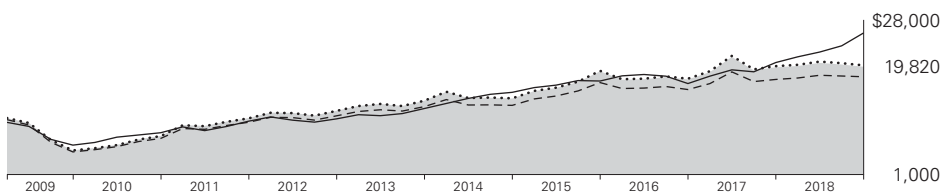
¹ The expense ratios shown are from the prospectus dated September 26, 2017, and represent estimated costs for the current fiscal year. For the fiscal year ended January 31, 2018, the expense ratios were 0.26% for Investor Shares, 0.12% for ETF Shares, 0.12% for Admiral Shares, and 0.10% for Institutional Shares.

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, 2008, Through January 31, 2018

Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended January 31, 2018			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
REIT Index Fund Investor Shares	0.45%	7.38%	7.08%	\$19,820
REIT Spliced Index	0.70	7.62	7.21	20,061
Real Estate Funds Average	2.65	7.05	6.09	18,068
Dow Jones U.S. Total Stock Market Float Adjusted Index	25.16	15.48	9.91	25,724

For a benchmark description, see the Glossary.

Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

	One Year	Five Years	Ten Years	Final Value of a \$10,000 Investment
REIT Index Fund ETF Shares Net Asset Value	0.59%	7.52%	7.22%	\$20,085
REIT Spliced Index	0.70	7.62	7.21	20,061
Dow Jones U.S. Total Stock Market Float Adjusted Index	25.16	15.48	9.91	25,724

See Financial Highlights for dividend and capital gains information.

REIT Index Fund

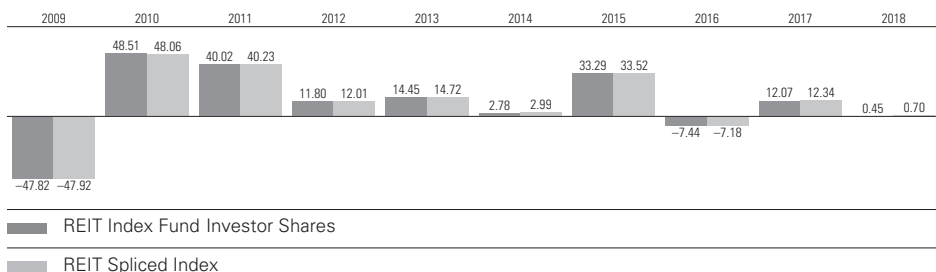
	Average Annual Total Returns Periods Ended January 31, 2018			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
REIT Index Fund Admiral Shares	0.58%	7.53%	7.23%	\$20,092
REIT Spliced Index	0.70	7.62	7.21	20,061
Dow Jones U.S. Total Stock Market Float Adjusted Index	25.16	15.48	9.91	25,724

	Average Annual Total Returns Periods Ended January 31, 2018			Final Value of a \$5,000,000 Investment
	One Year	Five Years	Ten Years	
REIT Index Fund Institutional Shares	0.60%	7.54%	7.25%	\$10,065,377
REIT Spliced Index	0.70	7.62	7.21	10,030,667
Dow Jones U.S. Total Stock Market Float Adjusted Index	25.16	15.48	9.91	12,861,866

Cumulative Returns of ETF Shares: January 31, 2008, Through January 31, 2018

	One Year	Five Years	Ten Years
REIT Index Fund ETF Shares Market Price	0.65%	43.70%	101.23%
REIT Index Fund ETF Shares Net Asset Value	0.59	43.72	100.85
REIT Spliced Index	0.70	44.39	100.61

Fiscal-Year Total Returns (%): January 31, 2008, Through January 31, 2018



For a benchmark description, see the Glossary.

Average Annual Total Returns: Periods Ended December 31, 2017

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	4.83%	9.10%	7.50%
ETF Shares	9/23/2004			
Market Price		4.90	9.24	7.65
Net Asset Value		4.95	9.24	7.64
Admiral Shares	11/12/2001	4.94	9.24	7.65
Institutional Shares	12/2/2003	4.93	9.26	7.67

Financial Statements

Statement of Net Assets

As of January 31, 2018

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. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (99.7%)¹			Health Care REITs (10.0%)		
Diversified REITs (6.5%)			² Welltower Inc.	24,309,940	1,457,867
² VEREIT Inc.	64,219,038	462,377	² Ventas Inc.	23,466,917	1,313,443
² WP Carey Inc.	7,042,783	456,443	² HCP Inc.	30,901,425	744,106
² Liberty Property Trust	9,715,589	402,322	² Healthcare Trust of America Inc. Class A	13,226,106	365,173
² Forest City Realty Trust Inc. Class A	14,066,431	330,139	^{^,2} Omega Healthcare Investors Inc.	12,998,348	351,475
² Colony NorthStar Inc. Class A	34,496,621	309,780	² Medical Properties Trust Inc.	23,996,197	313,870
² STORE Capital Corp.	11,268,795	276,198	² Senior Housing Properties Trust	15,656,540	271,328
² Gramercy Property Trust	10,008,749	252,621	² Healthcare Realty Trust Inc.	8,161,360	243,780
² Spirit Realty Capital Inc.	30,213,620	246,845	² Sabra Health Care REIT Inc.	11,584,960	209,688
Empire State Realty Trust Inc.	8,833,493	172,695	² Physicians Realty Trust	11,705,534	190,800
PS Business Parks Inc.	1,346,490	164,420	² National Health Investors Inc.	2,702,796	190,628
² Washington REIT	5,072,246	145,371	² LTC Properties Inc.	2,608,825	106,910
² Lexington Realty Trust	14,272,272	128,736	^{*,2} Quality Care Properties Inc.	6,187,006	83,525
² Alexander & Baldwin Inc. Select Income REIT	4,527,983	120,082	² CareTrust REIT Inc.	5,007,883	79,575
American Assets Trust Inc.	2,330,116	82,160	² Universal Health Realty Income Trust	852,760	56,751
² Global Net Lease Inc.	4,439,092	81,413	² New Senior Investment Group Inc.	5,415,396	41,482
^{*,2} iStar Inc.	4,285,982	45,217	Community Healthcare Trust Inc.	823,398	21,935
² Investors Real Estate Trust	7,943,254	45,038	MedEquities Realty Trust Inc.	21,942	240
² Armada Hoffler Properties Inc.	2,968,441	42,716			6,042,576
² Gladstone Commercial Corp.	1,825,278	34,680	Hotel & Resort REITs (6.4%)		
One Liberty Properties Inc.	923,188	22,563	² Host Hotels & Resorts Inc.	48,763,141	1,012,323
^{2,3} Winthrop Realty Trust	1,892,511	12,674			
		3,933,391			

REIT Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
2 Hospitality Properties Trust	10,851,373	308,288	2 Hudson Pacific Properties Inc.	10,237,127	327,281
Park Hotels & Resorts Inc.	10,619,284	307,003	2 Highwoods Properties Inc.	6,808,734	326,002
2 Apple Hospitality REIT Inc.	13,967,455	272,226	2 Cousins Properties Inc.	27,689,442	249,205
2 RLJ Lodging Trust	11,515,062	266,228	*2 Equity Commonwealth	8,179,351	244,644
2 Sunstone Hotel Investors Inc.	14,856,672	250,335	2 JBG SMITH Properties	6,234,285	210,407
2 Ryman Hospitality Properties Inc.	3,036,342	232,432	2 Brandywine Realty Trust	11,561,642	207,416
2 LaSalle Hotel Properties	7,462,032	227,890	2 Paramount Group Inc.	13,361,147	200,818
^2 Pebblebrook Hotel Trust	4,545,872	177,289	2 Piedmont Office Realty Trust Inc. Class A	9,591,447	187,225
2 Xenia Hotels & Resorts Inc.	7,038,057	156,245	2 Corporate Office Properties Trust	6,557,654	179,024
2 DiamondRock Hospitality Co.	13,203,576	155,274	2 Columbia Property Trust Inc.	7,991,890	174,942
^2 MGM Growth Properties LLC Class A	4,559,294	127,934	2 Mack-Cali Realty Corp.	5,626,477	112,923
2 Chesapeake Lodging Trust	3,965,417	108,533	2 Government Properties Income Trust	6,341,924	108,827
2 Summit Hotel Properties Inc.	6,873,685	106,473	2 Franklin Street Properties Corp.	6,709,340	68,033
2 Chatham Lodging Trust	2,991,303	67,005	2 Tier REIT Inc.	3,156,761	61,273
2 Hershah Hospitality Trust Class A	2,758,524	51,171	2 Easterly Government Properties Inc.	2,570,960	53,553
2 Ashford Hospitality Trust Inc.	6,417,798	41,331	2 NorthStar Realty Europe Corp.	3,461,673	41,298
2 Ashford Hospitality Prime Inc.	1,683,590	15,186	^2 New York REIT Inc. City Office REIT Inc.	11,065,751	22,353
		3,883,166		36,182	423
Industrial REITs (7.0%)			Other (10.1%)⁴		7,151,834
2 Prologis Inc.	35,041,769	2,281,569	^{5,6} Vanguard REIT II Index Fund	319,564,620	6,126,412
2 Duke Realty Corp.	23,453,606	619,410	Residential REITs (14.5%)		
2 DCT Industrial Trust Inc.	6,135,346	363,151	2 AvalonBay Communities Inc.	9,099,460	1,550,548
2 First Industrial Realty Trust Inc.	7,903,235	243,894	2 Equity Residential	24,219,826	1,492,184
2 EastGroup Properties Inc.	2,261,807	196,347	2 Essex Property Trust Inc.	4,351,564	1,013,827
2 STAG Industrial Inc.	6,081,468	153,983	2 Mid-America Apartment Communities Inc.	7,482,116	713,570
2 Rexford Industrial Realty Inc.	4,688,849	139,212	2 UDR Inc.	17,632,878	644,129
2 Terreno Realty Corp.	3,452,267	122,901	2 Camden Property Trust	6,110,328	528,910
2 Monmouth Real Estate Investment Corp.	4,414,865	75,450	2 Equity LifeStyle Properties Inc.	5,449,307	470,384
		4,195,917	2 Sun Communities Inc.	5,209,883	462,846
Office REITs (11.8%)			2 Invitation Homes Inc.	20,523,490	461,573
2 Boston Properties Inc.	10,172,751	1,258,471	2 Apartment Investment & Management Co.	10,347,089	432,922
2 Vornado Realty Trust	11,231,751	805,092	2 American Campus Communities Inc.	8,992,886	345,867
2 Alexandria Real Estate Equities Inc.	6,173,438	800,695			
2 SL Green Realty Corp.	6,520,718	655,463			
2 Kilroy Realty Corp.	6,480,664	462,201			
2 Douglas Emmett Inc.	10,195,625	394,265			

REIT Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
American Homes 4 Rent Class A	15,403,655	320,242			
² Education Realty Trust Inc.	4,825,738	159,394			
² Independence Realty Trust Inc.	5,386,855	49,505			
² Altisource Residential Corp.	3,339,861	36,772			
² Preferred Apartment Communities Inc. Class A	2,128,550	35,483			
² NexPoint Residential Trust Inc.	1,181,115	31,311			
² UMH Properties Inc.	1,989,854	26,624			
		8,776,091			
Retail REITs (17.0%)					
² Simon Property Group Inc.	20,485,745	3,346,756			
² Realty Income Corp. GGP Inc.	18,085,210	961,952			
	40,692,368	937,145			
² Regency Centers Corp.	10,090,461	634,791			
² Federal Realty Investment Trust	4,503,806	544,060			
² Macerich Co.	7,923,454	511,617			
² Kimco Realty Corp.	27,436,723	436,518			
² National Retail Properties Inc.	9,832,170	390,140			
² Brixmor Property Group Inc.	19,667,407	319,202			
² Taubman Centers Inc.	4,000,760	246,647			
² Weingarten Realty Investors	8,047,603	237,807			
² Retail Properties of America Inc.	15,225,560	183,468			
² Urban Edge Properties	7,499,839	175,346			
² DDR Corp.	20,593,044	167,216			
^{^2} Tanger Factory Outlet Centers Inc.	6,257,741	157,570			
² Acadia Realty Trust	5,512,826	135,395			
² Retail Opportunity Investments Corp.	6,708,521	123,236			
² Kite Realty Group Trust	5,640,079	95,092			
² Agree Realty Corp.	1,888,563	90,915			
² Washington Prime Group Inc.	12,249,276	80,600			
² Ramco-Gershenson Properties Trust	5,230,075	69,142			
^{^2} Seritage Growth Properties Class A	1,656,254	68,238			
^{^2} CBL & Associates Properties Inc.	11,279,589	62,714			
² Getty Realty Corp.	2,210,497	58,003			
Alexander's Inc.	151,680	55,114			
^{^2} Pennsylvania REIT	4,604,672	51,388			
Saul Centers Inc.	863,796	47,276			
Urstadt Biddle Properties Inc. Class A	1,941,812	37,710			
² Whitestone REIT	2,541,312	33,393			
² Cedar Realty Trust Inc.	6,016,739	30,746			
Urstadt Biddle Properties Inc.	58,856	1,012			
		10,290,209			
Specialized REITs (16.4%)					
² Equinix Inc.	5,139,614	2,339,501			
² Public Storage	10,315,604	2,019,383			
² Digital Realty Trust Inc.	13,523,503	1,513,956			
² Extra Space Storage Inc.	8,305,266	693,324			
² Iron Mountain Inc.	17,463,249	611,738			
² Gaming and Leisure Properties Inc.	11,769,370	428,876			
² CyrusOne Inc.	5,719,883	329,980			
² CubeSmart	11,879,087	327,031			
² EPR Properties	4,857,523	286,885			
² Life Storage Inc.	3,070,334	255,145			
² CoreSite Realty Corp.	2,258,499	244,641			
² GEO Group Inc.	8,180,153	184,462			
² CoreCivic Inc.	7,790,614	180,820			
² QTS Realty Trust Inc. Class A	3,208,137	159,765			
² Four Corners Property Trust Inc.	4,035,148	95,230			
² National Storage Affiliates Trust	3,250,784	82,472			
American Tower Corp. Crown Castle International Corp.	374,399	55,299			
	281,799	31,778			
Weyerhaeuser Co.	798,075	29,960			
* SBA Communications Corp. Class A	89,423	15,604			
Lamar Advertising Co. Class A	99,067	7,133			
Rayonier Inc.	128,561	4,173			
Uniti Group Inc.	205,774	3,257			
Outfront Media Inc.	118,763	2,660			
Potlatch Corp.	43,144	2,282			
CatchMark Timber Trust Inc. Class A	52,661	694			
InfraREIT Inc.	18,868	358			
Farmland Partners Inc.	37,658	307			
		9,906,714			
Total Equity Real Estate Investment Trusts (REITs) (Cost \$56,272,161)					60,306,310

REIT Index Fund

	Shares	Market Value* (\$000)	Amount (\$000)
Real Estate Management & Development (0.1%)			
Diversified Real Estate Activities (0.0%)			
* St. Joe Co.	36,173	680	
* Tejon Ranch Co.	13,022	284	
RMR Group Inc. Class A	3,774	245	
* Five Point Holdings LLC Class A	13,721	189	
		1,398	
Real Estate Development (0.0%)			
* Howard Hughes Corp.	46,590	5,868	
* Forestar Group Inc.	7,566	185	
		6,053	
Real Estate Operating Companies (0.0%)			
Kennedy-Wilson Holdings Inc.	119,900	2,128	
* FRP Holdings Inc.	1,499	75	
		2,203	
Real Estate Services (0.1%)			
* CBRE Group Inc. Class A	339,140	15,495	
Jones Lang LaSalle Inc.	33,811	5,287	
Realogy Holdings Corp.	180,046	4,953	
HFF Inc. Class A	32,816	1,615	
RE/MAX Holdings Inc. Class A	13,887	685	
* Marcus & Millichap Inc.	13,511	441	
* Altisource Portfolio Solutions SA	12,757	357	
		28,833	
Total Real Estate Management & Development (Cost \$38,412)			38,487
Temporary Cash Investment (0.3%)¹			
Money Market Fund (0.3%)			
^{7,8} Vanguard Market Liquidity Fund, 1.545% (Cost \$164,289)	1,642,857	164,286	
Total Investments (100.1%) (Cost \$56,474,862)			60,509,083
Other Assets and Liabilities (-0.1%)			
Other Assets ⁹			304,722
Liabilities ⁸			(360,433)
			(55,711)
Net Assets (100%)			60,453,372
Statement of Assets and Liabilities			
Assets			
Investments in Securities, at Value			
Unaffiliated Issuers			3,167,045
Affiliated Issuers			51,215,626
Vanguard REIT II Index Fund			6,126,412
Total Investments in Securities			60,509,083
Investment in Vanguard			3,508
Receivables for Investment Securities Sold			174,520
Receivables for Accrued Income			50,300
Receivables for Capital Shares Issued			69,121
Unrealized Appreciation—Swap Contracts			203
Other Assets ⁹			7,070
Total Assets			60,813,805
Liabilities			
Payables for Investment Securities			
Purchased			191,834
Collateral for Securities on Loan			87,582
Payables for Capital Shares Redeemed			43,105
Payables to Vanguard			30,500
Unrealized Depreciation—Swap Contracts			262
Other Liabilities			7,150
Total Liabilities			360,433
Net Assets			60,453,372

At January 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	56,315,907
Undistributed Net Investment Income	103,303
Accumulated Net Realized Gains	—
Unrealized Appreciation (Depreciation)	
Investment Securities	4,034,221
Swap Contracts	(59)
Net Assets	60,453,372

Investor Shares—Net Assets

Applicable to 81,183,890 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	2,143,108
Net Asset Value Per Share— Investor Shares	\$26.40

ETF Shares—Net Assets

Applicable to 407,429,973 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	32,377,223
Net Asset Value Per Share—ETF Shares	\$79.47

Admiral Shares—Net Assets

Applicable to 157,659,649 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	17,756,674
Net Asset Value Per Share— Admiral Shares	\$112.63

	Amount (\$000)
Institutional Shares—Net Assets	
Applicable to 469,046,290 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	8,176,367
Net Asset Value Per Share— Institutional Shares	\$17.43

• 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 \$85,635,000.

1 The fund invests a portion of its assets in Real Estate Investment Trusts through the use of swap contracts. After giving effect to swap investments, the fund's effective Real Estate Investment Trust and temporary cash investment positions represent 100.0% and 0.1%, 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.

3 Security value determined using significant unobservable inputs.

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

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

6 Represents a wholly owned subsidiary of the fund. See Notes to Financial Statements.

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

8 Includes \$87,582,000 of collateral received for securities on loan.

9 Cash of \$7,070,000 has been segregated as collateral for open swap contracts.

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	Unrealized Appreciation (Depreciation) (\$000)
Gaming And Leisure Properties	3/21/18	GSCM	55,524	(2.106%)	187
Federal Realty Investment Trust	3/2/18	GSCM	31,494	(1.573%)	(86)
Retail Opportunity Investments Corp.	3/2/18	GSCM	9,720	(1.573%)	16
Kimco Realty Corp.	3/2/18	GSCM	9,717	(1.573%)	(12)
Brixmor Property Group Inc.	3/2/18	GSCM	6,980	(1.573%)	(164)
					(59)

GSCM—Goldman Sachs Capital Management.

¹ Payment received/paid quarterly.

Unrealized appreciation (depreciation) on open swap contracts is required to be treated as ordinary income (loss) for tax purposes.

Statement of Operations

Year Ended
January 31, 2018
(\$000)

Investment Income	
Income	
Dividends Received from Unaffiliated Issuers	26,396
Dividends Received from Affiliated Issuers	1,893,522
Dividends Received from Vanguard REIT II Index Fund	70,790
Interest	15
Securities Lending—Net	920
Total Income	1,991,643
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	4,269
Management and Administrative—Investor Shares	5,483
Management and Administrative—ETF Shares	31,453
Management and Administrative—Admiral Shares	18,790
Management and Administrative—Institutional Shares	7,123
Marketing and Distribution—Investor Shares	428
Marketing and Distribution—ETF Shares	1,958
Marketing and Distribution—Admiral Shares	1,457
Marketing and Distribution—Institutional Shares	207
Custodian Fees	616
Auditing Fees	42
Shareholders' Reports and Proxy—Investor Shares	337
Shareholders' Reports and Proxy—ETF Shares	5,396
Shareholders' Reports and Proxy—Admiral Shares	857
Shareholders' Reports and Proxy—Institutional Shares	270
Trustees' Fees and Expenses	47
Total Expenses	78,733
Net Investment Income	1,912,910
Realized Net Gain (Loss)	
Capital Gain Distributions Received from Unaffiliated Issuers	627
Capital Gain Distributions Received from Affiliated Issuers	345,564
Capital Gain Distributions Received from Vanguard REIT II Index Fund	9,589
Investment Securities Sold—Unaffiliated Issuers	(15,044)
Investment Securities Sold—Affiliated Issuers	1,959,843
Investment Securities Sold—Vanguard REIT II Index Fund	—
Futures Contracts	230
Swap Contracts	(12,145)
Realized Net Gain (Loss)	2,288,664
Change in Unrealized Appreciation (Depreciation)	
Investment Securities—Unaffiliated Issuers	(79,043)
Investment Securities—Affiliated Issuers	(3,542,133)
Investment Securities—Vanguard REIT II Index Fund	(209,458)
Swap Contracts	810
Change in Unrealized Appreciation (Depreciation)	(3,829,824)
Net Increase (Decrease) in Net Assets Resulting from Operations	371,750

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

Statement of Changes in Net Assets

	Year Ended January 31,	
	2018	2017
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	1,912,910	1,637,151
Realized Net Gain (Loss)	2,288,664	2,373,668
Change in Unrealized Appreciation (Depreciation)	(3,829,824)	2,177,388
Net Increase (Decrease) in Net Assets Resulting from Operations	371,750	6,188,207
Distributions		
Net Investment Income		
Investor Shares	(69,040)	(73,006)
ETF Shares	(1,025,920)	(913,086)
Admiral Shares	(545,730)	(491,479)
Institutional Shares	(244,477)	(213,737)
Realized Capital Gain		
Investor Shares	(983)	(18,164)
ETF Shares	(14,088)	(218,412)
Admiral Shares	(7,496)	(117,607)
Institutional Shares	(3,343)	(50,930)
Return of Capital		
Investor Shares	(28,709)	(33,133)
ETF Shares	(426,390)	(411,208)
Admiral Shares	(226,815)	(221,353)
Institutional Shares	(101,603)	(96,185)
Total Distributions	(2,694,594)	(2,858,300)
Capital Share Transactions		
Investor Shares	(383,660)	(198,893)
ETF Shares	138,764	4,811,962
Admiral Shares	75,811	2,316,263
Institutional Shares	678,950	564,537
Net Increase (Decrease) from Capital Share Transactions	509,865	7,493,869
Total Increase (Decrease)	(1,812,979)	10,823,776
Net Assets		
Beginning of Period	62,266,351	51,442,575
End of Period ¹	60,453,372	62,266,351

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$103,303,000 and \$87,705,000.

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$27.38	\$25.59	\$28.73	\$22.37	\$22.66
Investment Operations					
Net Investment Income	.761 ¹	.746	.711	.645	.579
Net Realized and Unrealized Gain (Loss) on Investments	(.614)	2.324	(2.851)	6.650	.025
Total from Investment Operations	.147	3.070	(2.140)	7.295	.604
Distributions					
Dividends from Net Investment Income	(.788)	(.752)	(.695)	(.624)	(.626)
Distributions from Realized Capital Gains	(.011)	(.187)	—	—	—
Return of Capital	(.328)	(.341)	(.305)	(.311)	(.268)
Total Distributions	(1.127)	(1.280)	(1.000)	(.935)	(.894)
Net Asset Value, End of Period	\$26.40	\$27.38	\$25.59	\$28.73	\$22.37
Total Return²	0.45%	12.07%	-7.44%	33.29%	2.78%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$2,143	\$2,603	\$2,621	\$3,231	\$2,482
Ratio of Total Expenses to Average Net Assets	0.26%	0.26%	0.26%	0.26%	0.24%
Ratio of Net Investment Income to Average Net Assets	2.87%	2.60%	2.66%	2.56%	2.51%
Portfolio Turnover Rate ³	6%	7%	11%	8%	11%

1 Calculated based on average shares outstanding.

2 Total returns do not include transaction or account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction and 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,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$82.43	\$77.05	\$86.49	\$67.36	\$68.24
Investment Operations					
Net Investment Income	2.499 ¹	2.334	2.217	2.011	1.814
Net Realized and Unrealized Gain (Loss) on Investments	(1.945)	7.022	(8.533)	20.038	.097
Total from Investment Operations	.554	9.356	(6.316)	22.049	1.911
Distributions					
Dividends from Net Investment Income	(2.458)	(2.353)	(2.170)	(1.947)	(1.955)
Distributions from Realized Capital Gains	(.034)	(.563)	—	—	—
Return of Capital	(1.022)	(1.060)	(.954)	(.972)	(.836)
Total Distributions	(3.514)	(3.976)	(3.124)	(2.919)	(2.791)
Net Asset Value, End of Period	\$79.47	\$82.43	\$77.05	\$86.49	\$67.36
Total Return	0.59%	12.25%	-7.31%	33.41%	2.93%
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	\$32,377	\$33,527	\$27,007	\$29,487	\$18,528
Ratio of Total Expenses to Average Net Assets	0.12%	0.12%	0.12%	0.12%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.01%	2.74%	2.80%	2.70%	2.65%
Portfolio Turnover Rate ²	6%	7%	11%	8%	11%

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,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$116.83	\$109.19	\$122.58	\$95.46	\$96.70
Investment Operations					
Net Investment Income	3.538 ¹	3.306	3.142	2.852	2.569
Net Realized and Unrealized Gain (Loss) on Investments	(2.761)	9.966	(12.105)	28.403	.148
Total from Investment Operations	.777	13.272	(8.963)	31.255	2.717
Distributions					
Dividends from Net Investment Income	(3.483)	(3.333)	(3.076)	(2.758)	(2.772)
Distributions from Realized Capital Gains	(.048)	(.798)	—	—	—
Return of Capital	(1.447)	(1.501)	(1.351)	(1.377)	(1.185)
Total Distributions	(4.978)	(5.632)	(4.427)	(4.135)	(3.957)
Net Asset Value, End of Period	\$112.63	\$116.83	\$109.19	\$122.58	\$95.46
Total Return²	0.58%	12.23%	-7.30%	33.46%	2.94%
Ratios/Supplemental Data					
Net Assets, End of Period (Millions)	\$17,757	\$18,337	\$15,029	\$15,725	\$7,987
Ratio of Total Expenses to Average Net Assets	0.12%	0.12%	0.12%	0.12%	0.10%
Ratio of Net Investment Income to Average Net Assets	3.01%	2.74%	2.80%	2.70%	2.65%
Portfolio Turnover Rate ³	6%	7%	11%	8%	11%

1 Calculated based on average shares outstanding.

2 Total returns do not include transaction or account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable transaction and 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,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$18.08	\$16.90	\$18.97	\$14.78	\$14.97
Investment Operations					
Net Investment Income	.568 ¹	.515	.489	.444	.400
Net Realized and Unrealized Gain (Loss) on Investments	(.444)	1.540	(1.870)	4.390	.025
Total from Investment Operations	.124	2.055	(1.381)	4.834	.425
Distributions					
Dividends from Net Investment Income	(.542)	(.519)	(.479)	(.430)	(.431)
Distributions from Realized Capital Gains	(.007)	(.123)	—	—	—
Return of Capital	(.225)	(.233)	(.210)	(.214)	(.184)
Total Distributions	(.774)	(.875)	(.689)	(.644)	(.615)
Net Asset Value, End of Period	\$17.43	\$18.08	\$16.90	\$18.97	\$14.78
Total Return²	0.60%	12.23%	-7.27%	33.43%	2.97%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$8,176	\$7,799	\$6,785	\$6,788	\$3,922
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.08%
Ratio of Net Investment Income to Average Net Assets	3.03%	2.76%	2.82%	2.72%	2.67%
Portfolio Turnover Rate ³	6%	7%	11%	8%	11%

1 Calculated based on average shares outstanding.

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

Notes to Financial Statements

Vanguard REIT 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. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. ETF Shares are listed for trading on NYSE Arca; they can be purchased and sold through a broker. Admiral Shares and Institutional Shares are designed for investors who meet certain administrative, service, and account-size criteria.

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 REIT II Index Fund (“REIT II”) is the wholly owned subsidiary in which the fund has invested a portion of its assets. For additional financial information about REIT II, 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.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values 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, 2018, 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 aggregate settlement values at each quarter-end during the period. The fund had no open futures contracts at January 31, 2018.

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 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 Assets and Liabilities. 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 Assets and Liabilities. 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, 2018, 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, 2015–2018), 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.
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 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, 2018, or at any time during the period then ended.
8. Other: Distributions received from REITs are recorded on the ex-dividend date. Each REIT 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 REITs, and management's estimates of such amounts for REIT 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. Fees assessed on redemptions of capital shares are credited to paid-in capital.

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.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At January 31, 2018, the fund had contributed to Vanguard capital in the amount of \$3,508,000, representing 0.01% of the fund's net assets and 1.40% 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, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	60,332,123	—	12,674
Temporary Cash Investments	164,286	—	—
Swap Contracts—Assets	—	203	—
Swap Contracts—Liabilities	—	(262)	—
Total	60,496,409	(59)	12,674

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or

loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

During the year ended January 31, 2018, the fund realized \$2,274,899,000 of net capital gains resulting from in-kind redemptions—in which shareholders exchanged fund shares for securities held by the fund rather than for cash. Because such gains are not taxable to the fund, and are not distributed to shareholders, they have been reclassified from accumulated net realized gains to paid-in capital.

At January 31, 2018, the cost of investment securities for tax purposes was \$56,474,862,000. Net unrealized appreciation of investment securities for tax purposes was \$4,034,221,000, consisting of unrealized gains of \$7,363,984,000 on securities that had risen in value since their purchase and \$3,329,763,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the year ended January 31, 2018, the fund purchased \$17,565,462,000 of investment securities and sold \$17,239,938,000 of investment securities, other than temporary cash investments. Purchases and sales include \$11,723,571,000 and \$13,354,982,000, 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,			
	2018		2017	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	362,805	13,160	565,677	20,200
Issued in Lieu of Cash Distributions	92,491	3,378	117,019	4,262
Redeemed	(838,956)	(30,421)	(881,589)	(31,830)
Net Increase (Decrease)—Investor Shares	(383,660)	(13,883)	(198,893)	(7,368)
ETF Shares				
Issued	7,194,688	86,125	9,698,505	115,071
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed	(7,055,924)	(85,400)	(4,886,543)	(58,900)
Net Increase (Decrease)—ETF Shares	138,764	725	4,811,962	56,171
Admiral Shares				
Issued	3,635,103	30,947	4,651,310	39,078
Issued in Lieu of Cash Distributions	685,946	5,875	737,270	6,295
Redeemed	(4,245,238)	(36,118)	(3,072,317)	(26,057)
Net Increase (Decrease)—Admiral Shares	75,811	704	2,316,263	19,316
Institutional Shares				
Issued	2,396,349	131,716	1,775,348	96,049
Issued in Lieu of Cash Distributions	324,780	17,972	334,740	18,463
Redeemed	(2,042,179)	(111,955)	(1,545,551)	(84,706)
Net Increase (Decrease)—Institutional Shares	678,950	37,733	564,537	29,806

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							January 31, 2018 Market Value (\$000)
	January 31, 2017 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)	
Acadia Realty Trust	196,914	28,683	48,242	1,587	(43,547)	4,865	1,382	135,395
Agree Realty Corp.	93,077	20,640	25,664	4,360	(1,498)	3,371	—	90,915
Alexander & Baldwin Inc.	NA ²	201,333	25,838	(10)	(55,179)	13,447	—	120,082
Alexandria Real Estate Equities Inc.	661,333	221,376	197,697	37,183	78,500	13,750	2,233	800,695
Altisource Residential Corp.	—	57,067	9,713	(1,311)	(9,271)	512	—	36,772
American Assets Trust Inc.	111,900	14,275	25,124	5,288	(24,180)	2,699	—	NA ³
American Campus Communities Inc.	485,474	69,659	112,815	12,718	(109,169)	8,131	—	345,867
American Homes 4 Rent Class A	364,865	77,842	97,853	11,667	(36,279)	1,744	—	NA ³
Apartment Investment & Management Co.	526,976	68,330	138,950	21,720	(45,154)	8,895	7,834	432,922
Apple Hospitality REIT Inc.	254,259	105,187	78,219	(541)	(8,460)	17,170	—	272,226
Armada Hoffer Properties Inc.	35,538	16,260	11,388	295	2,011	2,373	—	42,716
Ashford Hospitality Prime Inc.	23,972	6,547	6,863	(1,229)	(7,241)	524	180	15,186
Ashford Hospitality Trust Inc.	56,353	5,923	12,353	1,788	(10,380)	(82)	—	41,331
AvalonBay Communities Inc.	1,821,329	257,391	510,044	65,333	(83,461)	41,813	13,938	1,550,548
Boston Properties Inc.	1,539,727	198,158	394,758	40,443	(125,099)	32,906	549	1,258,471
Brandywine Realty Trust	215,857	28,404	60,499	6,413	17,241	4,943	3,310	207,416
Brixmor Property Group Inc.	561,990	56,348	125,897	(20,157)	(152,963)	19,381	—	319,202
Camden Property Trust	559,077	108,646	161,111	23,643	(1,345)	15,285	3,979	528,910

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions						January 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)	
Care Capital Properties Inc.	158,877	10,542	12,576	2,967	26,832	6,472	—	—
CareTrust REIT Inc.	71,948	26,780	22,022	3,650	(781)	3,175	—	79,575
CBL & Associates Properties Inc.	134,770	15,989	24,284	(8,860)	(54,901)	10,495	—	62,714
Cedar Realty Trust Inc.	38,029	7,212	8,527	50	(6,018)	819	—	30,746
Chatham Lodging Trust	59,483	17,860	16,564	(749)	6,975	3,267	208	67,005
Chesapeake Lodging Trust	117,765	14,232	30,722	2,443	4,815	5,472	394	108,533
Colony NorthStar Inc. Class A	559,904	69,934	140,564	(42,002)	(137,492)	8,421	30,986	309,780
Columbia Property Trust Inc.	199,767	31,316	52,427	(1,043)	(2,671)	3,729	—	174,942
CoreCivic Inc.	250,483	40,384	58,528	(7,650)	(43,869)	12,204	—	180,820
CoreSite Realty Corp.	223,642	34,831	71,250	28,423	28,995	6,422	—	NA ³
Corporate Office Properties Trust	230,818	36,985	58,915	4,976	(34,840)	6,637	—	179,024
Cousins Properties Inc.	217,444	88,223	72,951	4,656	11,833	2,742	4,448	249,205
CubeSmart	344,856	45,345	94,046	19,888	10,988	12,358	71	327,031
CyrusOne Inc.	NA ²	176,035	85,813	23,778	25,675	981	—	329,980
DCT Industrial Trust Inc.	308,386	50,350	94,939	27,046	72,308	8,362	82	363,151
DDR Corp.	361,296	29,846	59,826	(13,112)	(150,988)	2,865	—	167,216
DiamondRock Hospitality Co.	173,307	21,142	44,993	1,283	4,535	6,922	—	155,274
Digital Realty Trust Inc.	1,312,413	208,999	436,187	103,977	324,754	45,653	2,127	1,513,956
Douglas Emmett Inc.	415,539	75,509	106,137	25,653	(16,299)	2,314	—	394,265
Duke Realty Corp.	653,127	102,471	199,516	39,738	23,590	10,391	30,227	619,410
DuPont Fabros Technology Inc.	274,547	46,666	23,450	16,423	(108,314)	(682)	—	—
Easterly Government Properties Inc.	53,384	14,295	17,222	1,345	1,751	1,276	—	53,553

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions						January 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)	
EastGroup Properties Inc.	178,153	30,262	52,408	13,138	27,202	6,156	4	196,347
Education Realty Trust Inc.	224,847	26,208	54,153	5,614	(43,122)	5,053	—	159,394
EPR Properties	360,230	95,698	96,041	13,532	(86,534)	17,502	1,171	286,885
Equinix Inc.	2,094,111	494,513	652,096	121,787	281,186	44,821	—	2,339,501
Equity Commonwealth	281,565	43,756	72,304	6,515	(14,888)	—	—	244,644
Equity LifeStyle Properties Inc.	458,547	71,495	135,905	40,121	36,126	7,184	4,241	470,384
Equity Residential	1,700,169	241,536	486,952	48,329	(10,898)	46,264	8,028	1,492,184
Essex Property Trust Inc.	1,124,304	164,205	330,384	66,713	(11,011)	27,528	5,253	1,013,827
Extra Space Storage Inc.	693,628	100,359	206,007	60,821	44,523	28,863	25	693,324
Federal Realty Investment Trust	767,656	94,894	218,343	21,639	(121,786)	19,955	—	544,060
FelCor Lodging Trust Inc.	74,919	6,061	77,231	(1,232)	(2,517)	(603)	—	—
First Industrial Realty Trust Inc.	231,273	36,708	68,055	17,763	26,205	5,142	1,916	243,894
First Potomac Realty Trust	45,915	3,471	4,484	5	(44,907)	894	—	—
Forest City Realty Trust Inc. Class A	NA ²	62,712	166,364	12,014	3,207	685	6,572	330,139
Four Corners Property Trust Inc.	95,138	18,960	26,891	4,388	3,635	3,646	—	95,230
Franklin Street Properties Corp.	98,735	9,909	20,619	(1,397)	(18,595)	1,641	—	68,033
Gaming and Leisure Properties Inc.	451,949	49,441	143,247	5,772	64,961	30,877	499	428,876
GEO Group Inc.	238,351	53,748	62,543	6,100	(51,194)	9,425	—	184,462
Getty Realty Corp.	53,660	17,451	15,834	2,608	118	2,581	—	58,003
GGP Inc.	NA ²	202,377	270,444	24,203	(112,262)	38,272	—	NA ³
Gladstone Commercial Corp.	35,673	9,954	9,684	1,003	(2,266)	1,090	—	34,680
Global Net Lease Inc.	100,412	28,797	25,196	(1,187)	(16,328)	8,013	—	81,413
Government Properties Income Trust	105,148	49,947	34,080	668	(12,856)	6,030	—	108,827

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions						January 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)	
Gramercy Property Trust	283,551	62,189	85,356	8,520	(16,283)	11,654	509	252,621
HCP Inc.	1,057,091	142,725	247,923	(15,664)	(192,123)	50,918	—	744,106
Healthcare Realty Trust Inc.	267,885	54,166	77,397	11,002	(11,877)	3,615	2,464	243,780
Healthcare Trust of America Inc. Class A	306,954	186,332	108,004	14,275	(34,384)	10,033	1,032	365,173
Hersha Hospitality Trust Class A	65,320	6,690	16,175	(144)	(4,520)	2,185	—	51,171
Highwoods Properties Inc.	388,011	56,262	94,126	14,529	(38,674)	10,714	2,406	326,002
Hospitality Properties Trust	387,308	48,056	93,006	5,690	(39,760)	23,096	231	308,288
Host Hotels & Resorts Inc.	1,026,815	138,985	290,187	15,091	121,619	39,764	4,934	1,012,323
Hudson Pacific Properties Inc.	396,078	70,535	100,368	16,888	(55,852)	11,418	—	327,281
Independence Realty Trust Inc.	46,445	17,702	14,643	800	(799)	1,316	1,817	49,505
Investors Real Estate Trust	59,808	6,009	13,845	(1,947)	(4,987)	(91)	1,485	45,038
Iron Mountain Inc.	685,207	127,825	193,037	7,958	(16,215)	41,487	—	611,738
iStar Inc.	61,435	7,102	21,215	(515)	(1,590)	—	—	45,217
JBG SMITH Properties	—	248,557	43,879	1,842	4,549	2,870	—	210,407
Kilroy Realty Corp.	528,491	93,603	134,371	24,320	(49,842)	7,491	1,469	462,201
Kimco Realty Corp.	800,160	89,850	182,393	(330)	(270,769)	18,140	771	436,518
Kite Realty Group Trust	153,379	13,171	28,166	(4,910)	(38,382)	4,721	786	95,092
LaSalle Hotel Properties	261,084	30,913	65,204	1,705	(608)	7,905	6,624	227,890
Lexington Realty Trust	175,028	21,723	42,429	2,647	(28,233)	6,372	—	128,736
Liberty Property Trust	431,139	59,610	122,259	10,503	23,329	15,485	1,332	402,322
Life Storage Inc.	284,634	38,673	72,837	13,424	(8,749)	11,370	—	255,145
LTC Properties Inc.	136,343	20,497	34,535	6,285	(21,680)	4,578	658	106,910
Macerich Co.	641,794	73,577	154,579	7,330	(56,505)	17,839	8,053	511,617

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions						January 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)	
Mack-Cali Realty Corp.	182,681	20,131	41,021	(83)	(48,785)	4,553	—	112,923
Medical Properties Trust Inc.	295,035	101,003	88,717	10,331	(3,782)	17,307	535	313,870
MGM Growth Properties LLC Class A	113,887	43,181	37,907	2,466	6,307	5,770	—	127,934
Mid-America Apartment Communities Inc.	825,028	116,411	242,769	46,268	(31,368)	22,877	5,802	713,570
Monmouth Real Estate Investment Corp.	68,492	13,456	17,999	4,699	6,802	1,820	193	75,450
Monogram Residential Trust Inc.	123,338	8,715	153,592	24,018	(1,674)	1,795	—	—
National Health Investors Inc.	221,854	36,281	58,269	11,223	(20,461)	8,413	626	190,628
National Retail Properties Inc.	490,928	62,804	122,397	18,355	(59,550)	16,786	485	390,140
National Storage Affiliates Trust	72,371	20,026	19,870	1,974	7,971	2,507	—	82,472
New Senior Investment Group Inc.	57,232	11,105	13,120	(751)	(12,984)	—	—	41,482
New York REIT Inc.	126,386	11,951	23,526	(3,049)	(89,409)	22,282	—	22,353
NexPoint Residential Trust Inc.	30,185	8,020	10,448	989	2,565	(104)	379	31,311
NorthStar Realty Europe Corp.	55,954	5,926	20,701	2,622	(2,503)	—	—	41,298
Omega Healthcare Investors Inc.	474,785	59,969	115,445	17,125	(84,959)	24,223	454	351,475
One Liberty Properties Inc.	23,230	4,110	5,992	138	1,077	1,472	263	NA ³
Paramount Group Inc.	224,305	54,252	55,965	136	(21,910)	2,704	461	200,818
Park Hotels & Resorts Inc.	NA ²	121,244	81,040	2,470	17,542	19,357	—	NA ³
Parkway Inc.	71,947	5,853	71,480	1,412	(7,732)	—	—	—
Pebblebrook Hotel Trust	157,680	27,911	54,884	4,704	41,878	7,483	—	177,289
Pennsylvania REIT	95,545	8,009	15,927	(3,410)	(32,829)	382	—	51,388

REIT Index Fund

	January 31, 2017 Market Value (\$'000)	Current Period Transactions						January 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)	
Physicians Realty Trust	191,090	90,447	59,565	6,277	(37,449)	5,545	—	190,800
Piedmont Office Realty Trust Inc. Class A	241,417	28,305	59,193	2,132	(25,436)	6,685	7,272	187,225
Preferred Apartment Communities Inc. Class A	—	47,932	2,452	(259)	(9,738)	—	—	35,483
Prologis Inc.	1,970,078	318,476	650,735	126,565	517,185	48,312	20,269	2,281,569
PS Business Parks Inc.	174,220	24,745	52,004	13,881	3,578	4,906	197	NA ³
Public Storage	2,425,257	442,710	645,270	143,225	(346,539)	90,498	149	2,019,383
QTS Realty Trust Inc. Class A	184,034	25,906	48,332	8,649	(10,492)	2,679	—	159,765
Quality Care Properties Inc.	132,027	14,400	29,121	826	(34,607)	—	—	83,525
RAIT Financial Trust	24,668	1,333	5,546	(41,874)	21,419	(638)	8	—
Ramco- Gershenson Properties Trust	98,801	9,517	20,644	(1,297)	(17,235)	4,932	206	69,142
Realty Income Corp.	1,180,027	200,881	298,933	46,545	(166,568)	37,406	752	961,952
Regency Centers Corp.	557,628	123,899	194,259	25,624	121,899	18,833	2,190	634,791
Retail Opportunity Investments Corp.	176,709	20,566	53,416	6,764	(27,387)	4,611	—	123,236
Retail Properties of America Inc.	271,987	29,648	68,019	(3,427)	(46,721)	10,864	597	183,468
Rexford Industrial Realty Inc.	114,769	25,711	35,363	8,548	25,547	2,687	—	139,212
RLJ Lodging Trust	220,888	106,276	69,021	6,294	1,791	10,833	—	266,228
Ryman Hospitality Properties Inc.	215,012	28,209	58,728	8,551	39,388	9,921	99	232,432
Sabra Health Care REIT Inc.	126,889	46,304	56,911	4,383	89,023	6,518	—	209,688
Select Income REIT	128,330	15,618	32,192	1,530	(14,385)	4,340	—	NA ³
Senior Housing Properties Trust	346,271	45,142	93,919	2,129	(28,295)	23,520	2,971	271,328
Seritage Growth Properties Class A	70,018	10,867	14,164	901	616	982	681	68,238

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions						January 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)	
Silver Bay Realty Trust Corp.	43,697	1,400	57,224	7,370	5,971	334	—	—
Simon Property Group Inc.	4,419,387	553,903	1,132,181	154,843	(649,196)	166,648	—	3,346,756
SL Green Realty Corp.	836,650	113,384	230,651	23,531	(87,451)	8,702	13,826	655,463
Spirit Realty Capital Inc.	386,215	39,893	94,367	(10,216)	(74,680)	16,411	2,525	246,845
STAG Industrial Inc.	126,455	58,409	41,597	6,960	3,756	5,837	—	153,983
Starwood Waypoint Homes	—	22,755	46,855	4,381	20,860	1,240	138	—
STORE Capital Corp.	277,597	67,845	81,421	3,674	8,503	12,125	1,916	276,198
Summit Hotel Properties Inc.	106,021	34,983	31,567	5,722	(8,686)	4,850	—	106,473
Sun Communities Inc.	414,680	91,559	96,492	19,044	34,055	4,640	—	462,846
Sunstone Hotel Investors Inc.	244,027	38,614	66,052	8,823	24,923	8,494	2,689	250,335
Tanger Factory Outlet Centers Inc.	251,411	25,138	52,995	1,531	(67,515)	8,095	—	157,570
Taubman Centers Inc.	327,490	34,418	68,064	6,005	(53,202)	6,245	2,808	246,647
Terreno Realty Corp.	96,103	27,144	29,822	5,144	24,332	2,541	398	122,901
Tier REIT Inc.	66,628	8,218	17,585	2,174	1,838	2,540	—	61,273
UDR Inc.	714,332	101,513	207,782	30,272	5,794	19,840	3,874	644,129
UMH Properties Inc.	—	40,829	7,176	(313)	(6,716)	47	—	26,624
Universal Health Realty Income Trust	61,745	7,944	18,036	4,743	355	1,405	1,111	56,751
Urban Edge Properties	212,935	52,716	54,397	7,114	(43,022)	4,073	2,950	175,346
Vanguard Market Liquidity Fund	149,286	NA ⁴	NA ⁴	(76)	(3)	648	—	164,286
Vanguard REIT II Index Fund	—	6,335,870	—	—	(209,458)	70,790	9,589	6,126,412
Ventas Inc.	1,658,300	238,126	459,294	56,216	(179,905)	46,633	34,724	1,313,443
VEREIT Inc.	616,630	94,723	159,939	(14,153)	(74,884)	25,105	1,041	462,377
Vornado Realty Trust	1,382,302	151,211	288,246	21,599	(461,774)	30,983	—	805,092

REIT Index Fund

	January 31, 2017 Market Value (\$000)	Current Period Transactions						January 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)	
Washington Prime Group Inc.	135,898	13,022	27,821	(6,890)	(33,609)	5,896	7,797	80,600
Washington REIT	177,272	27,574	45,663	3,366	(17,178)	5,026	1,666	145,371
Weingarten Realty Investors	331,196	37,696	77,499	5,074	(58,660)	4,604	15,404	237,807
Welltower Inc.	1,816,108	279,649	495,331	46,594	(189,153)	48,554	42,223	1,457,867
Whitestone REIT	30,721	12,236	8,175	749	(2,138)	494	—	33,393
Winthrop Realty Trust	15,172	—	—	—	341	—	—	12,674
WP Carey Inc.	476,167	89,383	134,058	6,541	18,410	24,478	1,657	456,443
Xenia Hotels & Resorts Inc.	148,670	20,520	42,719	2,131	27,643	8,052	—	156,245
	59,610,847	17,252,154	17,111,551	1,959,843	(3,751,591)	1,964,312	355,153	57,342,038

1 Does not include adjustments to related return of capital.

2 Not Applicable—at January 31, 2017, the issuer was not an affiliated company of the fund.

3 Not Applicable—at January 31, 2018, 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. On February 1, 2018, the benchmark index of the fund was changed from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Transition Index. The fund is expected to complete its transition to its destination benchmark index, MSCI US Investable Market Real Estate 25/50 Index, during the third quarter of 2018. Additionally, the name of the fund was changed to Vanguard Real Estate Index Fund.

Management has determined that no other material events or transactions occurred subsequent to January 31, 2018, 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 Shareholders of Vanguard Real Estate Index Fund (formerly known as Vanguard REIT Index Fund)

Opinion on the Financial Statements

We have audited the accompanying statement of net assets and statement of assets and liabilities of Vanguard REIT Index Fund (one of the funds constituting Vanguard Specialized Funds, referred to hereafter as the "Fund") as of January 31, 2018, the related statement of operations for the year ended January 31, 2018, the statement of changes in net assets for each of the two years in the period ended January 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended January 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of January 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended January 31, 2018 and the financial highlights for each of the five years in the period ended January 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of January 31, 2018 by correspondence with the custodian 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 opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 15, 2018

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

Special 2017 tax information (unaudited) for Vanguard REIT Index Fund

This information for the fiscal year ended January 31, 2018, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$25,911,000 as capital gain dividends (from net long-term capital gains) to shareholders during the fiscal year. The fund designated \$25,911,000 of its capital gain dividends as unrecaptured section 1250 gain distributions (25% rate gain).

The fund distributed \$101,019,000 of qualified dividend income to shareholders during the fiscal year.

Your Fund's After-Tax Returns

This table presents returns for your fund both before and after taxes. The after-tax returns are shown in two ways: (1) assuming that an investor owned the fund during the entire period and paid taxes on the fund's distributions, and (2) assuming that an investor paid taxes on the fund's distributions *and* sold all shares at the end of each period.

Calculations are based on the highest individual federal income tax and capital gains tax rates in effect at the times of the distributions and the hypothetical sales. State and local taxes were not considered. After-tax returns reflect any qualified dividend income, using actual prior-year figures and estimates for 2018. (In the example, returns after the sale of fund shares may be higher than those assuming no sale. This occurs when the sale would have produced a capital loss. The calculation assumes that the investor received a tax deduction for the loss.)

The table shows returns for Investor Shares only; returns for other share classes will differ. Please note that your actual after-tax returns will depend on your tax situation and may differ from those shown. Also note that if you own the fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to you. Such accounts are not subject to current taxes.

Finally, keep in mind that a fund's performance—whether before or after taxes—does not guarantee future results.

Average Annual Total Returns: REIT Index Fund Investor Shares

Periods Ended January 31, 2018

	One Year	Five Years	Ten Years
Returns Before Taxes	0.45%	7.38%	7.08%
Returns After Taxes on Distributions	-0.80	6.11	5.84
Returns After Taxes on Distributions and Sale of Fund Shares	0.21	5.18	5.05

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, 2018

REIT Index Fund	Beginning Account Value 7/31/2017	Ending Account Value 1/31/2018	Expenses Paid During Period
Based on Actual Fund Return			
Investor Shares	\$1,000.00	\$967.28	\$1.29
ETF Shares	1,000.00	967.96	0.60
Admiral Shares	1,000.00	967.85	0.60
Institutional Shares	1,000.00	967.73	0.50
Based on Hypothetical 5% Yearly Return			
Investor Shares	\$1,000.00	\$1,023.89	\$1.33
ETF Shares	1,000.00	1,024.60	0.61
Admiral Shares	1,000.00	1,024.60	0.61
Institutional Shares	1,000.00	1,024.70	0.51

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.26% for Investor Shares, 0.12% for ETF Shares, 0.12% for Admiral Shares, and 0.10% for Institutional Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

Glossary

Beta. A measure of the magnitude of a fund's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a fund with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the fund and the index. Note that a fund's beta should be reviewed in conjunction with its R-squared (see definition). The lower the R-squared, the less correlation there is between the fund and the index, and the less reliable beta is as an indicator of volatility.

Dividend Yield. Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a fund). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a fund, the dividend yield is based solely on stock holdings and does not include any income produced by other investments. This yield may include some payments that represent a return of capital, capital gains distributions, or both by the underlying stocks.

Earnings Growth Rate. The average annual rate of growth in earnings over the past five years for the stocks now in a fund.

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

Foreign Holdings. The percentage of a fund represented by securities or depository receipts of companies based outside the United States.

Inception Date. The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund's investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

Median Market Cap. An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

Price/Book Ratio. The share price of a stock divided by its net worth, or book value, per share. For a fund, the weighted average price/book ratio of the stocks it holds.

Price/Earnings Ratio. The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the expectations for a company's future growth.

R-Squared. A measure of how much of a fund's past returns can be explained by the returns from the market in general, as measured by a given index. If a fund's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the fund's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the fund and the index.

Return on Equity. The annual average rate of return generated by a company during the past five years for each dollar of shareholder's equity (net income divided by shareholder's equity). For a fund, the weighted average return on equity for the companies whose stocks it holds.

Short-Term Reserves. The percentage of a fund invested in highly liquid, short-term securities that can be readily converted to cash.

Turnover Rate. An indication of the fund's trading activity. Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors). The turnover rate excludes in-kind transactions, which have minimal impact on costs.

Benchmark Information

REIT 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 January 31, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index thereafter.

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.

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 on an at-cost basis.

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 201 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 Trustees¹

F. William McNabb III

Mr. McNabb has served as chairman of the board of Vanguard and of each of the investment companies served by Vanguard since January 2010; as a trustee of each of the investment companies served by Vanguard since 2009; and as director of Vanguard since 2008. Mr. McNabb served as chief executive officer and president of Vanguard and each of the investment companies served by Vanguard from 2008 to 2017 and as a managing director of Vanguard from 1995 to 2008. Mr. McNabb also serves as a director of Vanguard Marketing Corporation. He was born in 1957.

Mortimer J. Buckley

Mr. Buckley has served as chief executive officer of Vanguard since January 2018; as chief executive officer, president, and trustee of each of the investment companies served by Vanguard since January 2018; and as president and director of Vanguard since 2017. Previous positions held by Mr. Buckley at Vanguard include chief investment officer (2013–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006). Mr. Buckley also served as chairman of the board of the Children's Hospital of Philadelphia from 2011 to 2017. He was born in 1969.

Independent Trustees

Emerson U. Fullwood

Mr. Fullwood has served as trustee since July 2008. Mr. Fullwood is the former executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Previous positions held at Xerox by Mr. Fullwood include president of the Worldwide Channels Group, president of Latin America, executive chief staff officer of Developing Markets, and president of Worldwide Customer Services. Mr. Fullwood is the executive in residence at the Rochester Institute of Technology, where he was the 2009–2010 Distinguished Minett Professor. Mr. Fullwood serves as lead 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; and a trustee of the University of Rochester. He was born in 1948.

Amy Gutmann

Dr. Gutmann has served as trustee since June 2006. Dr. Gutmann has served as the president of the University of Pennsylvania since 2004. She is the Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

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. Dr. Gutmann also serves as a trustee of the National Constitution Center. She was born in 1949.

JoAnn Heffernan Heisen

Ms. Heisen has served as trustee since July 1998. Ms. Heisen is the former corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and a former member of its executive committee (1997–2008). During her tenure at Johnson & Johnson, Ms. Heisen held multiple roles, including: chief global diversity officer (retired 2008), vice president and chief information officer (1997–2006), controller (1995–1997), treasurer (1991–1995), and assistant treasurer (1989–1991). Ms. Heisen serves as a director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation and as a member of the advisory board of the Institute for Women's Leadership at Rutgers University. She was born in 1950.

F. Joseph Loughrey

Mr. Loughrey has served as trustee since October 2009. Mr. Loughrey is the former president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Mr. Loughrey serves as chairman of the board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; as a director of the V Foundation for Cancer Research; and as a 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. He was born in 1949.

Mark Loughridge

Mr. Loughridge has served as trustee since March 2012. Mr. Loughridge is the former senior vice president and chief financial officer (retired 2013) at IBM (information technology services). Mr. Loughridge also served as a fiduciary member of IBM's retirement plan committee (2004–2013). Previous positions held by Mr. Loughridge at IBM include senior vice president and general manager of Global Financing (2002–2004), vice president and controller (1998–2002), and a variety of management roles. Mr. Loughridge serves as a member of the Council on Chicago Booth. He was born in 1953.

Scott C. Malpass

Mr. Malpass has served as trustee since March 2012. Mr. Malpass has served as chief investment officer since 1989 and as vice president since 1996 at the University of Notre Dame. Mr. Malpass serves as an assistant professor of finance at the Mendoza College of Business at the University of Notre Dame and is a member of the Notre Dame 403(b) investment committee. Mr. Malpass also serves as chairman of the board of TIFF Advisory Services, Inc.; as a member of the board of Catholic Investment Services, Inc. (investment advisors); as a member of the board of advisors for Spruceview Capital Partners; and as a member of the board of superintendence of the Institute for the Works of Religion. He was born in 1962.

Deanna Mulligan

Ms. Mulligan has served as trustee since January 2018. Ms. Mulligan has served as president since 2010 and chief executive officer since 2011 at The Guardian Life Insurance Company of America. Previous positions held by Ms. Mulligan at The Guardian Life Insurance Company of America include chief operating officer (2010–2011) and executive vice president of Individual Life and Disability (2008–2010). Ms. Mulligan serves as a board member 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. She also serves as a trustee of the Economic Club of New York and the Bruce Museum (arts and science) and as a member of the Advisory Council for the Stanford Graduate School of Business. She was born in 1963.

André F. Perold

Dr. Perold has served as trustee since December 2004. Dr. Perold is the George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Dr. Perold serves as chief investment officer and co-managing partner of HighVista Strategies LLC (private investment firm). Dr. Perold also serves as an overseer of the Museum of Fine Arts Boston. He was born in 1952.

Sarah Bloom Raskin

Ms. Raskin has served as trustee since January 2018. Ms. Raskin served as deputy secretary of the United States Department of the Treasury (2014–2017), as a governor of the Federal Reserve Board (2010–2014), and as commissioner of financial regulation of the State of Maryland (2007–2010). Ms. Raskin also

served as a member of the Neighborhood Reinvestment Corporation's board of directors (2012–2014). Ms. Raskin serves as a director of i(x) Investments, LLC. She was born in 1961.

Peter F. Volanakis

Mr. Volanakis has served as trustee since July 2009. Mr. Volanakis is the retired president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and a former director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Mr. Volanakis served as a director of SPX Corporation (multi-industry manufacturing) (2012) and as an overseer of the Amos Tuck School of Business Administration at Dartmouth College (2001–2013). Mr. Volanakis serves as chairman of the board of trustees of Colby-Sawyer College and is a member of the board of Hypertherm Inc. (industrial cutting systems, software, and consumables). He was born in 1955.

Executive Officers

Glenn Booraem

Mr. Booraem, a principal of Vanguard, has served as investment stewardship officer of each of the investment companies served by Vanguard since February 2017. Mr. Booraem served as treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard. He was born in 1967.

Christine M. Buchanan

Ms. Buchanan, a principal of Vanguard, has served as treasurer of each of the investment companies served by Vanguard since November 2017. She also serves as global head of Fund Administration at Vanguard. Ms. Buchanan served as a partner at KPMG LLP (audit, tax, and advisory services) (2005–2017). She was born in 1970.

Thomas J. Higgins

Mr. Higgins, a principal of Vanguard, has served as chief financial officer of each of the investment companies served by Vanguard since 2008. Mr. Higgins served as treasurer of each of the investment companies served by Vanguard (1998–2008). He was born in 1957.

Peter Mahoney

Mr. Mahoney, a principal of Vanguard, has served as controller of each of the investment companies served by Vanguard since May 2015. Mr. Mahoney served as head of International Fund Services at Vanguard (2008–2014). He was born in 1974.

Anne E. Robinson

Ms. Robinson has served as general counsel of Vanguard since September 2016; as secretary of Vanguard and of each of the investment companies served by Vanguard since September 2016; as director and senior vice president of Vanguard Marketing Corporation since September 2016; and as a managing director of Vanguard since August 2016. Ms. Robinson served as managing director and general counsel of Global Cards and Consumer Services at Citigroup (2014–2016). She served as counsel at American Express (2003–2014). She was born in 1970.

Michael Rollings

Mr. Rollings, a managing director of Vanguard since June 2016, has served as finance director of each of the investment companies served by Vanguard since November 2017 and as a director of Vanguard Marketing Corporation since June 2016. Mr. Rollings served as treasurer of each of the investment companies served by Vanguard from February 2017 to November 2017. He also served as the executive vice president and chief financial officer of MassMutual Financial Group (2006–2016). He was born in 1963.

Vanguard Senior Management Team

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

Chairman Emeritus and Senior Advisor

John J. Brennan

Chairman, 1996–2009

Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle

Chairman and Chief Executive Officer, 1974–1996



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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 and copy information about your fund at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your fund is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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Vanguard[®]



Annual Report | January 31, 2018

Vanguard REIT II Index Fund

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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REIT II Index Fund

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.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

Your Fund's Performance at a Glance

- Vanguard launched Vanguard REIT II Index Fund on September 26, 2017, to provide Vanguard REIT Index Fund with additional investment capacity.
- In the limited time the fund has been in existence, it returned -2.89%, in line with the return of its benchmark index but lower than that of its peer group.
- On February 1, 2018, the fund changed its name to Vanguard Real Estate II Index Fund and its benchmark from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Transition Index. The new target index will increase exposure to certain specialized REITs and real estate management development companies.
- The fund is expected to complete its transition to the MSCI US Investable Market Real Estate 25/50 Index during the third quarter of 2018.

Total Returns: Period Ended January 31, 2018

	Since Inception
Vanguard REIT II Index Fund (Inception: 9/26/2017)	-2.89%
MSCI US REIT Index	-2.86
Real Estate Funds Average	-1.11

Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Expense Ratios

Your Fund Compared With Its Peer Group

	Fund	Peer Group Average
REIT II Index Fund	0.08%	1.25%

The fund expense ratio shown is from the prospectus dated September 26, 2017, and represents estimated costs for the current fiscal year. For the period from inception through January 31, 2018, the fund's annualized expense ratio was 0.08%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

Peer group: Real Estate Funds.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Shareholder,

When you start a new job, it's natural to reflect on both the past and the future. And so it is in my case, having begun my service as just the fourth chief executive in Vanguard's history.

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

Making a real difference

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. Over the past 25 years, for example, Vanguard has lowered our funds' asset-weighted average expense ratio

from 0.31% to 0.12%. And over the past decade, 94% of our funds have beaten the average annual return of their peers.¹

Focused on your success

Vanguard is built for Vanguard investors—as a client-owned company, we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my new role as CEO, I intend to keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

As I write this, we've experienced a period of pronounced market volatility. Strong economic growth and budding signs of inflation have raised concerns about a more aggressive Federal Reserve. Although volatility can test investors' nerves, we sometimes think of this as "Vanguard weather"—a time when having a disciplined, low-cost, and long-term approach to investment management serves investors well.

Market Barometer

	Average Annual Total Returns Periods Ended January 31, 2018		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	25.84%	14.28%	15.72%
Russell 2000 Index (Small-caps)	17.18	12.12	13.33
Russell 3000 Index (Broad U.S. market)	25.16	14.11	15.53
FTSE All-World ex US Index (International)	29.63	10.20	7.48
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.15%	1.14%	2.01%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.52	1.97	2.69
Citigroup Three-Month U.S. Treasury Bill Index	0.91	0.41	0.25
CPI			
Consumer Price Index	2.07%	1.98%	1.48%

The performance data shown represent past performance, which is not a guarantee of future results.

¹ For the ten-year period through December 31, 2017, 9 of 9 Vanguard money market funds, 56 of 60 bond funds, 21 of 22 balanced funds, and 131 of 140 stock funds, or 217 of 231 Vanguard funds, outperformed their peer-group averages. Sources: Vanguard, based on data from Lipper, a Thomson Reuters Company.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and

guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

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
President and Chief Executive Officer
February 15, 2018

REIT II Index Fund

Fund Profile

As of January 31, 2018

Portfolio Characteristics

	Fund	MSCI US REIT Index	DJ U.S. Total Market FA Index
Number of Stocks	181	152	3,765
Median Market Cap	\$9.8B	\$9.8B	\$73.6B
Price/Earnings Ratio	32.5x	32.5x	23.8x
Price/Book Ratio	2.2x	2.2x	3.2x
Return on Equity	5.9%	5.9%	14.9%
Earnings Growth Rate	18.3%	17.1%	9.1%
Dividend Yield	4.2%	4.2%	1.7%
Foreign Holdings	0.0%	0.0%	0.0%
Turnover Rate	1%	—	—
Ticker Symbol	VRTPX	—	—
Expense Ratio ¹	0.08%	—	—
Short-Term Reserves	0.0%	—	—

Dividend Yield: This yield may include some payments that represent a return of capital, capital gains distributions, or both by the underlying REITs. These amounts are determined by each REIT at the end of its fiscal year.

Subindustry Diversification (% of equity exposure)

	Fund	MSCI US REIT Index
Diversified REITs	7.2%	7.2%
Health Care REITs	11.1	11.2
Hotel & Resort REITs	7.2	7.2
Industrial REITs	7.7	7.8
Office REITs	13.2	13.2
Residential REITs	16.2	16.2
Retail REITs	19.1	19.1
Specialized REITs	18.3	18.1

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.

Ten Largest Holdings (% of total net assets)

Simon Property Group Inc.	Retail REITs	6.2%
Equinix Inc.	Specialized REITs	4.3
Prologis Inc.	Industrial REITs	4.2
Public Storage	Specialized REITs	3.7
AvalonBay Communities Inc.	Residential REITs	2.9
Digital Realty Trust Inc.	Specialized REITs	2.8
Equity Residential	Residential REITs	2.7
Welltower Inc.	Health Care REITs	2.7
Ventas Inc.	Health Care REITs	2.4
Boston Properties Inc.	Office REITs	2.3
Top Ten		34.2%

The holdings listed exclude any temporary cash investments and equity index products.

¹ The expense ratio shown is from the prospectus dated September 26, 2017, and represents estimated costs for the current fiscal year. For the period from inception through January 31, 2018, the expense ratio was 0.08%.

Performance Summary

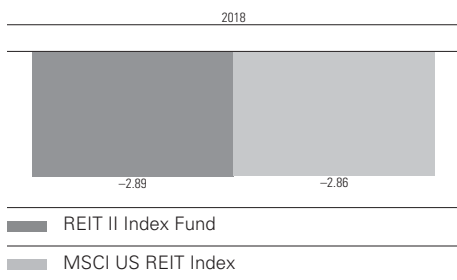
All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) 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.

	Total Returns Period Ended January 31, 2018	Final Value of a \$100,000,000 Investment
	Since Inception (9/26/2017)	
REIT II Index Fund	-2.89%	\$97,110,506
MSCI US REIT Index	-2.86	97,144,679
Real Estate Funds Average	-1.11	98,891,393
Dow Jones U.S. Total Stock Market Float Adjusted Index	13.15	113,147,952

Real Estate Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

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

Fiscal-Period Total Returns (%): September 26, 2017, Through January 31, 2018



Total Returns: Period Ended December 31, 2017

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	Since Inception
Vanguard REIT II Index Fund	9/26/2017	1.37%

See Financial Highlights for dividend and capital gains information.

Financial Statements

Statement of Net Assets

As of January 31, 2018

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. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Equity Real Estate Investment Trusts (REITs) (99.9%)			Healthcare Realty Trust Inc.		
			920,159	27,485	
Diversified REITs (7.2%)			Healthcare Trust of America Inc. Class A		
Alexander & Baldwin Inc.	560,985	14,877	1,491,279	41,174	
American Assets Trust Inc.	262,891	9,270	294,208	12,057	
Armada Hoffer Properties Inc.	334,730	4,817	MedEquities Realty Trust Inc.		
Colony NorthStar Inc. Class A	3,889,635	34,929	2,558	28	
Empire State Realty Trust Inc.	996,194	19,476	Medical Properties Trust Inc.		
Forest City Realty Trust Inc. Class A	1,585,972	37,223	2,705,512	35,388	
Gladstone Commercial Corp.	206,017	3,914	National Health Investors Inc.		
Global Net Lease Inc.	500,415	9,178	304,659	21,488	
Gramercy Property Trust	1,128,505	28,483	New Senior Investment Group Inc.		
Investors Real Estate Trust	896,758	5,085	610,768	4,678	
iStar Inc.	483,494	5,101	Omega Healthcare Investors Inc.		
Lexington Realty Trust	1,610,092	14,523	1,465,607	39,630	
Liberty Property Trust	1,095,377	45,360	1,320,106	21,518	
One Liberty Properties Inc.	104,297	2,549	Quality Care Properties Inc.		
PS Business Parks Inc.	151,826	18,539	697,473	9,416	
Select Income REIT	498,697	11,151	Sabra Health Care REIT Inc.		
Spirit Realty Capital Inc.	3,406,544	27,831	1,306,522	23,648	
STORE Capital Corp.	1,270,514	31,140	Senior Housing Properties Trust		
VEREIT Inc.	7,240,866	52,134	1,765,255	30,592	
Washington REIT	571,742	16,386	Universal Health Realty Income Trust		
WP Carey Inc.	794,089	51,465	96,116	6,397	
		443,431	2,645,891	148,090	
Health Care REITs (11.1%)			2,740,964	164,376	
CareTrust REIT Inc.	564,470	8,969		681,338	
Community Healthcare Trust Inc.	94,057	2,506	Hotel & Resort REITs (7.2%)		
HCP Inc.	3,484,146	83,898	Apple Hospitality REIT Inc.		
			1,574,816	30,693	
			Ashford Hospitality Prime Inc.		
			190,216	1,716	
			Ashford Hospitality Trust Inc.		
			723,642	4,660	
			Chatham Lodging Trust		
			337,300	7,555	
			Chesapeake Lodging Trust		
			447,156	12,239	
			DiamondRock Hospitality Co.		
			1,488,471	17,504	

REIT II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Hersha Hospitality Trust Class A	311,250	5,774	Government Properties Income Trust	714,930	12,268
Hospitality Properties Trust	1,223,435	34,758	Highwoods Properties Inc.	767,635	36,754
Host Hotels & Resorts Inc.	5,497,994	114,138	Hudson Pacific Properties Inc.	1,154,273	36,902
LaSalle Hotel Properties	841,525	25,700	JBG SMITH Properties	703,100	23,730
MGM Growth Properties LLC Class A	514,134	14,427	Kilroy Realty Corp.	730,727	52,115
Park Hotels & Resorts Inc.	1,197,307	34,614	Mack-Cali Realty Corp.	634,487	12,734
^ Pebblebrook Hotel Trust	512,594	19,991	New York REIT Inc.	1,249,215	2,523
RLJ Lodging Trust	1,298,300	30,017	NorthStar Realty Europe Corp.	390,106	4,654
Ryman Hospitality Properties Inc.	342,375	26,209	Paramount Group Inc.	1,506,899	22,649
Summit Hotel Properties Inc.	775,071	12,006	Piedmont Office Realty Trust Inc. Class A	1,081,737	21,115
Sunstone Hotel Investors Inc.	1,674,985	28,223	SL Green Realty Corp.	735,207	73,903
Xenia Hotels & Resorts Inc.	793,290	17,611	Tier REIT Inc.	355,835	6,907
		437,835	Vornado Realty Trust	1,266,364	90,773
Industrial REITs (7.7%)					806,397
DCT Industrial Trust Inc.	691,748	40,945	Residential REITs (16.2%)		
Duke Realty Corp.	2,644,315	69,836	Altisource Residential Corp.	376,852	4,149
EastGroup Properties Inc.	255,083	22,144	American Campus Communities Inc.	1,014,024	38,999
First Industrial Realty Trust Inc.	891,003	27,496	American Homes 4 Rent Class A	1,736,789	36,108
Monmouth Real Estate Investment Corp.	497,658	8,505	Apartment Investment & Management Co.	1,166,605	48,811
Prologis Inc.	3,950,887	257,242	AvalonBay Communities Inc.	1,025,966	174,825
Rexford Industrial Realty Inc.	528,702	15,697	Camden Property Trust	688,921	59,633
STAG Industrial Inc.	685,928	17,368	Education Realty Trust Inc.	544,216	17,975
Terreno Realty Corp.	389,262	13,858	Equity LifeStyle Properties Inc.	614,385	53,034
		473,091	Equity Residential	2,730,748	168,241
Office REITs (13.2%)			Essex Property Trust Inc.	490,635	114,308
Alexandria Real Estate Equities Inc.	696,097	90,284	Independence Realty Trust Inc.	607,635	5,584
Boston Properties Inc.	1,146,969	141,892	Invitation Homes Inc.	2,313,980	52,041
Brandywine Realty Trust	1,303,812	23,390	Mid-America Apartment Communities Inc.	843,606	80,455
City Office REIT Inc.	4,071	48	NexPoint Residential Trust Inc.	133,130	3,529
Columbia Property Trust Inc.	901,356	19,731	Preferred Apartment Communities Inc. Class A	240,050	4,002
Corporate Office Properties Trust	739,209	20,180	Sun Communities Inc.	587,404	52,185
Cousins Properties Inc.	3,121,636	28,095	UDR Inc.	1,988,042	72,623
Douglas Emmett Inc.	1,149,503	44,451	UMH Properties Inc.	224,499	3,004
Easterly Government Properties Inc.	290,043	6,042			989,506
* Equity Commonwealth	922,116	27,580	Retail REITs (19.0%)		
Franklin Street Properties Corp.	757,066	7,677	Acadia Realty Trust	621,652	15,268
			Agree Realty Corp.	213,007	10,254
			Alexander's Inc.	17,126	6,223

REIT II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Brixmor Property Group Inc.	2,264,926	36,760	Extra Space Storage Inc.	936,452	78,175
CBL & Associates Properties Inc.	1,271,914	7,072	Farmland Partners Inc.	4,397	36
Cedar Realty Trust Inc.	679,026	3,470	Four Corners Property Trust Inc.	455,046	10,739
DDR Corp.	2,321,439	18,850	Gaming and Leisure Properties Inc.	1,499,480	54,641
Federal Realty Investment Trust	537,169	64,890	GEO Group Inc.	922,544	20,803
Getty Realty Corp.	249,230	6,540	InfraREIT Inc.	2,132	40
GGP Inc.	4,588,053	105,663	Iron Mountain Inc.	1,969,004	68,974
Kimco Realty Corp.	3,162,303	50,312	Lamar Advertising Co. Class A	11,106	800
Kite Realty Group Trust	619,849	10,450	Life Storage Inc.	346,207	28,770
Macerich Co.	893,405	57,687	National Storage Affiliates Trust	366,707	9,303
National Retail Properties Inc.	1,108,638	43,991	Outfront Media Inc.	13,337	299
Pennsylvania REIT	519,417	5,797	Potlatch Corp.	4,856	257
Ramco-Gershenson Properties Trust	589,979	7,799	Public Storage	1,163,111	227,691
Realty Income Corp.	2,039,118	108,461	QTS Realty Trust Inc. Class A	361,800	18,018
Regency Centers Corp.	1,137,713	71,573	Rayonier Inc.	14,392	467
Retail Opportunity Investments Corp.	815,732	14,985	* SBA Communications Corp. Class A	10,024	1,749
Retail Properties of America Inc.	1,717,103	20,691	Uniti Group Inc.	23,123	366
Saul Centers Inc.	97,473	5,335	Weyerhaeuser Co.	89,445	3,358
[^] Seritage Growth Properties Class A	186,798	7,696			<u>1,123,192</u>
Simon Property Group Inc.	2,309,768	377,347	Total Equity Real Estate Investment Trusts (REITs)		6,121,218
[^] Tanger Factory Outlet Centers Inc.	705,432	17,763	Real Estate Management & Development (0.1%)		
Taubman Centers Inc.	451,092	27,810	Diversified Real Estate Activities (0.0%)		
Urban Edge Properties	845,457	19,767	* Five Point Holdings LLC		
Urstadt Biddle Properties Inc. Class A	221,535	4,302	Class A	1,550	21
Washington Prime Group Inc.	1,381,637	9,091	RMR Group Inc. Class A	426	28
Weingarten Realty Investors	907,338	26,812	* St. Joe Co.	4,027	76
Whitestone REIT	286,850	3,769	* Tejon Ranch Co.	1,478	32
		<u>1,166,428</u>			<u>157</u>
Specialized REITs (18.3%)			Real Estate Development (0.0%)		
American Tower Corp.	41,968	6,199	* Forestar Group Inc.	834	20
CatchMark Timber Trust Inc. Class A	5,939	78	* Howard Hughes Corp.	5,210	656
CoreCivic Inc.	878,180	20,383			<u>676</u>
CoreSite Realty Corp.	254,660	27,585	Real Estate Operating Companies (0.0%)		
Crown Castle International Corp.	31,588	3,562	* FRP Holdings Inc.	171	8
CubeSmart	1,339,375	36,873	Kennedy-Wilson Holdings Inc.	13,500	240
CyrusOne Inc.	644,920	37,205			<u>248</u>
Digital Realty Trust Inc.	1,524,786	170,700	Real Estate Services (0.1%)		
EPR Properties	547,669	32,345	* Altisource Portfolio Solutions SA	1,443	40
Equinix Inc.	579,485	263,776	* CBRE Group Inc. Class A	37,980	1,735
			HFF Inc. Class A	3,670	181
			Jones Lang LaSalle Inc.	3,789	593
			* Marcus & Millichap Inc.	1,519	50

REIT II Index Fund

	Shares	Market Value* (\$000)
RE/MAX Holdings Inc. Class A	1,568	77
Realogy Holdings Corp.	20,209	556
		3,232
Total Real Estate Management & Development (Cost \$4,304)		4,313
Total Common Stocks (Cost \$6,349,292)		6,125,531
Temporary Cash Investment (0.1%)		
Money Market Fund (0.1%)		
^{1,2} Vanguard Market Liquidity Fund, 1.545%	63,612	6,361
Total Temporary Cash Investments (Cost \$6,362)		6,361
Total Investments (100.1%) (Cost \$6,355,654)		6,131,892
		Amount (\$000)
Other Assets and Liabilities (-0.1%)		
Other Assets		
Investment in Vanguard		350
Receivables for Investment Securities Sold		19,561
Receivables for Accrued Income		5,630
Total Other Assets		25,541
Liabilities		
Payables for Investment Securities Purchased		(21,504)
Collateral for Securities on Loan		(6,361)
Payables to Vanguard		(254)
Other Liabilities		(2,902)
Total Liabilities		(31,021)
Net Assets (100%)		6,126,412

At January 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	6,335,870
Undistributed Net Investment Income	14,304
Accumulated Net Realized Gains	—
Unrealized Appreciation (Depreciation)	(223,762)
Net Assets	6,126,412
Applicable to 319,564,620 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	6,126,412
Net Asset Value Per Share	\$19.17

• 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 \$6,332,000.

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

2 Includes \$6,361,000 of collateral received for securities on loan.

REIT—Real Estate Investment Trust.

Statement of Operations

September 26, 2017¹ to
January 31, 2018

(\$000)

Investment Income	
Income	
Dividends ²	86,840
Securities Lending—Net	13
Total Income	86,853
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	123
Management and Administrative	1,467
Marketing and Distribution	129
Custodian Fees	22
Auditing Fees	17
Trustees' Fees and Expenses	1
Total Expenses	1,759
Net Investment Income	85,094
Realized Net Gain (Loss)	
Capital Gain Distributions Received	13,700
Investment Securities Sold ²	(4,138)
Futures Contracts	27
Realized Net Gain (Loss)	9,589
Change in Unrealized Appreciation (Depreciation) of Investment Securities²	(223,762)
Net Increase (Decrease) in Net Assets Resulting from Operations	(129,079)

¹ Inception.

² Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$0, (\$1,000), and (\$1,000) respectively.

Statement of Changes in Net Assets

September 26, 2017¹ to
January 31, 2018

	(\$000)
Increase (Decrease) in Net Assets	
Operations	
Net Investment Income	85,094
Realized Net Gain (Loss)	9,589
Change in Unrealized Appreciation (Depreciation)	(223,762)
Net Increase (Decrease) in Net Assets Resulting from Operations	(129,079)
Distributions	
Net Investment Income	(70,790)
Realized Capital Gain	(9,589)
Return of Capital	(2,954)
Total Distributions	(83,333)
Capital Share Transactions	
Issued	6,255,491
Issued in Lieu of Cash Distributions	83,333
Redeemed	—
Net Increase (Decrease) from Capital Share Transactions	6,338,824
Total Increase (Decrease)	6,126,412
Net Assets	
Beginning of Period	—
End of Period²	6,126,412

¹ Inception.

² Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$14,304,000.

Financial Highlights

For a Share Outstanding Throughout the Period	September 26, 2017 ¹ to January 31, 2018
Net Asset Value, Beginning of Period	\$20.00
Investment Operations	
Net Investment Income ²	.268
Net Realized and Unrealized Gain (Loss) on Investments	(.834)
Total from Investment Operations	(.566)
Distributions	
Dividends from Net Investment Income	(.225)
Distributions from Realized Capital Gains	(.030)
Return of Capital	(.009)
Total Distributions	(.264)
Net Asset Value, End of Period	\$19.17
Total Return	-2.89%
Ratios/Supplemental Data	
Net Assets, End of Period (Millions)	\$6,126
Ratio of Total Expenses to Average Net Assets	0.08% ³
Ratio of Net Investment Income to Average Net Assets	3.84% ³
Portfolio Turnover Rate	1%

1 Inception.

2 Calculated based on average shares outstanding.

3 Annualized.

Notes to Financial Statements

Vanguard REIT 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 REIT Index Fund ("REIT"), and at January 31, 2018, REIT was the record or beneficial owner of 100% of the fund's net assets. As part of REIT'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.

Futures contracts are valued at their quoted daily settlement prices. The aggregate settlement values 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, 2018, 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 aggregate settlement values at each quarter-end during the period. The fund had no open futures contracts at January 31, 2018.

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

4. 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.

5. Securities Lending: To earn additional income, the fund lends its securities to qualified institutional borrowers. Security loans are subject to termination by the fund at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled 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.

6. 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, 2018, or at any time during the period then ended.

7. Other: Distributions received from REITs are recorded on the ex-dividend date. Each REIT 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 REITs, and management's estimates of such amounts for REIT 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. Fees assessed on redemptions of capital shares are credited to paid-in capital.

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.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At January 31, 2018, the fund had contributed to Vanguard capital in the amount of \$350,000, representing 0.01% of the fund's net assets and 0.14% 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, 2018, 100% of the market value of the fund's investments was determined based on Level 1 inputs.

D. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

At January 31, 2018, the cost of investment securities for tax purposes was \$6,355,654,000. Net unrealized depreciation of investment securities for tax purposes was \$223,762,000, consisting of unrealized gains of \$174,893,000 on securities that had risen in value since their purchase and \$398,655,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the year ended January 31, 2018, the fund purchased \$6,433,959,000 of investment securities and sold \$73,351,000 of investment securities, other than temporary cash investments. Purchases and sales include \$6,255,490,000 and \$0, respectively, in connection with in-kind purchases and redemptions of the fund's capital shares.

F. Capital shares issued and redeemed were:

	September 26, 2017 ¹ to January 31, 2018
	Shares (000)
Issued	315,418
Issued in Lieu of Cash Distributions	4,147
Redeemed	—
Net Increase (Decrease) in Shares Outstanding	319,565

¹ Inception.

G. On February 1, 2018, the benchmark index of the fund was changed from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Transition Index. The fund is expected to complete its transition to its destination benchmark index, MSCI US Investable Market Real Estate 25/50 Index, during the third quarter of 2018. Additionally, the name of the fund was changed to Vanguard Real Estate II Index Fund.

Management has determined that no other material events or transactions occurred subsequent to January 31, 2018, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Fixed Income Securities Funds and Shareholders of Vanguard Real Estate II Index Fund (formerly known as Vanguard REIT II Index Fund)

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Vanguard REIT II Index Fund (one of the funds constituting Vanguard Fixed Income Securities Funds, referred to hereafter as the "Fund") as of January 31, 2018, and the related statements of operations and changes in net assets, including the related notes, and the financial highlights for the period September 26, 2017 (commencement of operations) through January 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of January 31, 2018, and the results of its operations, changes in its net assets, and the financial highlights for the period September 26, 2017 (commencement of operations) through January 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audit 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 audit 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 audit 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, 2018 by correspondence with the custodian 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 audit provides a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 15, 2018

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

Special 2017 tax information (unaudited) for Vanguard REIT II Index Fund

This information for the fiscal year ended January 31, 2018, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$9,589,000 as capital gain dividends (from net long-term capital gains) to shareholders during the fiscal year. The fund designated \$9,589,000 of its capital gain dividends as unrecaptured section 1250 gain distribution (25% rate gain).

The fund distributed \$6,184,000 of qualified dividend income to shareholders during the fiscal year.

Your Fund's After-Tax Returns

This table presents returns for your fund both before and after taxes. The after-tax returns are shown in two ways: (1) assuming that an investor owned the fund during the entire period and paid taxes on the fund's distributions, and (2) assuming that an investor paid taxes on the fund's distributions *and* sold all shares at the end of each period.

Calculations are based on the highest individual federal income tax and capital gains tax rates in effect at the times of the distributions and the hypothetical sales. State and local taxes were not considered. After-tax returns reflect any qualified dividend income, using actual prior-year figures and estimates for 2018. (In the example, returns after the sale of fund shares may be higher than those assuming no sale. This occurs when the sale would have produced a capital loss. The calculation assumes that the investor received a tax deduction for the loss.)

Please note that your actual after-tax returns will depend on your tax situation and may differ from those shown. Also note that if you own the fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to you. Such accounts are not subject to current taxes.

Finally, keep in mind that a fund's performance—whether before or after taxes—does not guarantee future results.

Average Annual Total Returns: REIT II Index Fund

Periods Ended January 31, 2018

	Since Inception (9/26/2017)
Returns Before Taxes	-2.89%
Returns After Taxes on Distributions	-3.44
Returns After Taxes on Distributions and Sale of Fund Shares	-1.73

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.

Period Ended January 31, 2018

REIT II Index Fund	Beginning Account Value 9/26/2017	Ending Account Value 1/31/2018	Expenses Paid During Period
Based on Actual Fund Return	\$1,000.00	\$971.11	\$0.40
Based on Hypothetical 5% Yearly Return	1,000.00	982.20	0.40

The calculations are based on expenses incurred in the most recent period. The fund's annualized expense ratio for that period is 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 period since inception September 26, 2017, to January 31, 2018, then divided by the number of days in the most recent 12-month period (128/365).

Trustees Approve Advisory Arrangement

Effective September 2017, the board of Vanguard Fixed Income Securities Funds approved the launch of Vanguard REIT II Index Fund, which utilizes an internalized management structure whereby The Vanguard Group, Inc. (Vanguard), through its Equity Index Group, would provide investment advisory services to the fund. The board determined that the investment advisory arrangement with Vanguard was in the best interests of the fund and its prospective shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board considered the quality of the investment management services to be provided to the fund and took into account the organizational depth and stability of the advisor. The board noted that Vanguard has been managing investments for more than three decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted approval of the advisory arrangement.

Investment performance

The board determined that the Equity Index Group, in its management of other Vanguard funds, has a track record of consistent performance and disciplined investment processes. Information about the fund's performance since inception can be found in the Performance Summary section of this report.

Cost

The board concluded that the fund's expense ratio will be well below the average expense ratio charged by funds in its peer group. Information about the fund's expenses appears in the About Your Fund's Expenses section as well as in the Financial Statements section.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that Vanguard's at-cost arrangement with the fund ensures that the fund will realize economies of scale as it grows, with the cost to shareholders declining as fund assets increase.

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

Glossary

Dividend Yield. Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a fund). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a fund, the dividend yield is based solely on stock holdings and does not include any income produced by other investments. This yield may include some payments that represent a return of capital, capital gains distributions, or both by the underlying stocks.

Earnings Growth Rate. The average annual rate of growth in earnings over the past five years for the stocks now in a fund.

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

Foreign Holdings. The percentage of a fund represented by securities or depository receipts of companies based outside the United States.

Inception Date. The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund's investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

Median Market Cap. An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

Price/Book Ratio. The share price of a stock divided by its net worth, or book value, per share. For a fund, the weighted average price/book ratio of the stocks it holds.

Price/Earnings Ratio. The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the expectations for a company's future growth.

Return on Equity. The annual average rate of return generated by a company during the past five years for each dollar of shareholder's equity (net income divided by shareholder's equity). For a fund, the weighted average return on equity for the companies whose stocks it holds.

Short-Term Reserves. The percentage of a fund invested in highly liquid, short-term securities that can be readily converted to cash.

Turnover Rate. An indication of the fund's trading activity. Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors). The turnover rate excludes in-kind transactions, which have minimal impact on costs.

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.

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 on an at-cost basis.

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 201 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 Trustees¹

F. William McNabb III

Mr. McNabb has served as chairman of the board of Vanguard and of each of the investment companies served by Vanguard since January 2010; as a trustee of each of the investment companies served by Vanguard since 2009; and as director of Vanguard since 2008. Mr. McNabb served as chief executive officer and president of Vanguard and each of the investment companies served by Vanguard from 2008 to 2017 and as a managing director of Vanguard from 1995 to 2008. Mr. McNabb also serves as a director of Vanguard Marketing Corporation. He was born in 1957.

Mortimer J. Buckley

Mr. Buckley has served as chief executive officer of Vanguard since January 2018; as chief executive officer, president, and trustee of each of the investment companies served by Vanguard since January 2018; and as president and director of Vanguard since 2017. Previous positions held by Mr. Buckley at Vanguard include chief investment officer (2013–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006). Mr. Buckley also served as chairman of the board of the Children's Hospital of Philadelphia from 2011 to 2017. He was born in 1969.

Independent Trustees

Emerson U. Fullwood

Mr. Fullwood has served as trustee since July 2008. Mr. Fullwood is the former executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Previous positions held at Xerox by Mr. Fullwood include president of the Worldwide Channels Group, president of Latin America, executive chief staff officer of Developing Markets, and president of Worldwide Customer Services. Mr. Fullwood is the executive in residence at the Rochester Institute of Technology, where he was the 2009–2010 Distinguished Minett Professor. Mr. Fullwood serves as lead 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; and a trustee of the University of Rochester. He was born in 1948.

Amy Gutmann

Dr. Gutmann has served as trustee since June 2006. Dr. Gutmann has served as the president of the University of Pennsylvania since 2004. She is the Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

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. Dr. Gutmann also serves as a trustee of the National Constitution Center. She was born in 1949.

JoAnn Heffernan Heisen

Ms. Heisen has served as trustee since July 1998. Ms. Heisen is the former corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and a former member of its executive committee (1997–2008). During her tenure at Johnson & Johnson, Ms. Heisen held multiple roles, including: chief global diversity officer (retired 2008), vice president and chief information officer (1997–2006), controller (1995–1997), treasurer (1991–1995), and assistant treasurer (1989–1991). Ms. Heisen serves as a director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation and as a member of the advisory board of the Institute for Women's Leadership at Rutgers University. She was born in 1950.

F. Joseph Loughrey

Mr. Loughrey has served as trustee since October 2009. Mr. Loughrey is the former president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Mr. Loughrey serves as chairman of the board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; as a director of the V Foundation for Cancer Research; and as a 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. He was born in 1949.

Mark Loughridge

Mr. Loughridge has served as trustee since March 2012. Mr. Loughridge is the former senior vice president and chief financial officer (retired 2013) at IBM (information technology services). Mr. Loughridge also served as a fiduciary member of IBM's retirement plan committee (2004–2013). Previous positions held by Mr. Loughridge at IBM include senior vice president and general manager of Global Financing (2002–2004), vice president and controller (1998–2002), and a variety of management roles. Mr. Loughridge serves as a member of the Council on Chicago Booth. He was born in 1953.

Scott C. Malpass

Mr. Malpass has served as trustee since March 2012. Mr. Malpass has served as chief investment officer since 1989 and as vice president since 1996 at the University of Notre Dame. Mr. Malpass serves as an assistant professor of finance at the Mendoza College of Business at the University of Notre Dame and is a member of the Notre Dame 403(b) investment committee. Mr. Malpass also serves as chairman of the board of TIFF Advisory Services, Inc.; as a member of the board of Catholic Investment Services, Inc. (investment advisors); as a member of the board of advisors for Spruceview Capital Partners; and as a member of the board of superintendence of the Institute for the Works of Religion. He was born in 1962.

Deanna Mulligan

Ms. Mulligan has served as trustee since January 2018. Ms. Mulligan has served as president since 2010 and chief executive officer since 2011 at The Guardian Life Insurance Company of America. Previous positions held by Ms. Mulligan at The Guardian Life Insurance Company of America include chief operating officer (2010–2011) and executive vice president of Individual Life and Disability (2008–2010). Ms. Mulligan serves as a board member 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. She also serves as a trustee of the Economic Club of New York and the Bruce Museum (arts and science) and as a member of the Advisory Council for the Stanford Graduate School of Business. She was born in 1963.

André F. Perold

Dr. Perold has served as trustee since December 2004. Dr. Perold is the George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Dr. Perold serves as chief investment officer and co-managing partner of HighVista Strategies LLC (private investment firm). Dr. Perold also serves as an overseer of the Museum of Fine Arts Boston. He was born in 1952.

Sarah Bloom Raskin

Ms. Raskin has served as trustee since January 2018. Ms. Raskin served as deputy secretary of the United States Department of the Treasury (2014–2017), as a governor of the Federal Reserve Board (2010–2014), and as commissioner of financial regulation of the State of Maryland (2007–2010). Ms. Raskin also

served as a member of the Neighborhood Reinvestment Corporation's board of directors (2012–2014). Ms. Raskin serves as a director of i(x) Investments, LLC. She was born in 1961.

Peter F. Volanakis

Mr. Volanakis has served as trustee since July 2009. Mr. Volanakis is the retired president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and a former director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Mr. Volanakis served as a director of SPX Corporation (multi-industry manufacturing) (2012) and as an overseer of the Amos Tuck School of Business Administration at Dartmouth College (2001–2013). Mr. Volanakis serves as chairman of the board of trustees of Colby-Sawyer College and is a member of the board of Hypertherm Inc. (industrial cutting systems, software, and consumables). He was born in 1955.

Executive Officers

Glenn Booraem

Mr. Booraem, a principal of Vanguard, has served as investment stewardship officer of each of the investment companies served by Vanguard since February 2017. Mr. Booraem served as treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard. He was born in 1967.

Christine M. Buchanan

Ms. Buchanan, a principal of Vanguard, has served as treasurer of each of the investment companies served by Vanguard since November 2017. She also serves as global head of Fund Administration at Vanguard. Ms. Buchanan served as a partner at KPMG LLP (audit, tax, and advisory services) (2005–2017). She was born in 1970.

Thomas J. Higgins

Mr. Higgins, a principal of Vanguard, has served as chief financial officer of each of the investment companies served by Vanguard since 2008. Mr. Higgins served as treasurer of each of the investment companies served by Vanguard (1998–2008). He was born in 1957.

Peter Mahoney

Mr. Mahoney, a principal of Vanguard, has served as controller of each of the investment companies served by Vanguard since May 2015. Mr. Mahoney served as head of International Fund Services at Vanguard (2008–2014). He was born in 1974.

Anne E. Robinson

Ms. Robinson has served as general counsel of Vanguard since September 2016; as secretary of Vanguard and of each of the investment companies served by Vanguard since September 2016; as director and senior vice president of Vanguard Marketing Corporation since September 2016; and as a managing director of Vanguard since August 2016. Ms. Robinson served as managing director and general counsel of Global Cards and Consumer Services at Citigroup (2014–2016). She served as counsel at American Express (2003–2014). She was born in 1970.

Michael Rollings

Mr. Rollings, a managing director of Vanguard since June 2016, has served as finance director of each of the investment companies served by Vanguard since November 2017 and as a director of Vanguard Marketing Corporation since June 2016. Mr. Rollings served as treasurer of each of the investment companies served by Vanguard from February 2017 to November 2017. He also served as the executive vice president and chief financial officer of MassMutual Financial Group (2006–2016). He was born in 1963.

Vanguard Senior Management Team

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 Rollins

Chairman Emeritus and Senior Advisor

John J. Brennan

Chairman, 1996–2009

Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle

Chairman and Chief Executive Officer, 1974–1996



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You can review and copy information about your fund at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your fund is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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