



## Prospectus Supplement Dated June 20, 2023

### Important Changes to Vanguard's Frequent Trading Policy

The Board of Trustees of the Vanguard Funds have approved certain changes to the Vanguard Funds Frequent Trading Policy, applicable to trades having a trade date of June 21, 2023, or later, as follows:

#### Prospectus Text Changes

In the **Investing with Vanguard** section, under the heading "Frequent-Trading Limitations," the following bullet points are added under "These frequent-trading limitations *do not* apply to the following":

- Certain transactions below dollar value or other thresholds specified by Vanguard.
- In-kind transactions to a shareholder's donor advised fund managed by Vanguard Charitable.

In the same section, the following text replaces corresponding similar text in its entirety under "For participants in employer-sponsored defined contribution plans,\* the frequent-trading limitations *do not* apply to":

\*The following Vanguard fund accounts are also subject to the frequent-trading limitations: SEP-IRAs, SIMPLE IRAs, certain individual 403(b)(7) Custodial Accounts, and Vanguard Individual 401(k) Plans.



# Vanguard Real Estate II Index Fund Prospectus

May 25, 2023

## Institutional Plus Shares

Vanguard Real Estate II Index Fund Institutional Plus Shares (VRTPX)



This prospectus contains financial data for the Fund through the fiscal year ended January 31, 2023.

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

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# Fund Summary

## Investment Objective

The Fund seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs and other real estate-related investments.

## Fees and Expenses

The following table describes the fees and expenses you may pay if you buy, hold, and sell shares of the Fund. You may pay other fees, such as brokerage commissions and other fees to financial intermediaries, which are not reflected in the table and example below.

### Shareholder Fees

(Fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases	None
Purchase Fee	None
Sales Charge (Load) Imposed on Reinvested Dividends	None
Redemption Fee	None

### Annual Fund Operating Expenses

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

Management Fees	0.08%
12b-1 Distribution Fee	None
Other Expenses	0.00%
Total Annual Fund Operating Expenses	0.08%

## Example

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

1 Year	3 Years	5 Years	10 Years
\$8	\$26	\$45	\$103

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in more taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 5% of the average value of its portfolio.

## Principal Investment Strategies

The Fund employs an indexing investment approach designed to track the performance of the MSCI US Investable Market Real Estate 25/50 Index, an index that is made up of stocks of large, mid-size, and small U.S. companies within the real estate sector, as classified under the Global Industry Classification Standard (GICS). The GICS real estate sector is composed of equity real estate investment trusts (known as REITs), which include specialized REITs, and real estate management and development companies.

The Fund attempts to track the Index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

## Principal Risks

An investment in the Fund could lose money over short or long periods of time. You should expect the Fund's share price and total return to fluctuate within a wide range. The Fund is subject to the following risks, which could affect the Fund's performance:

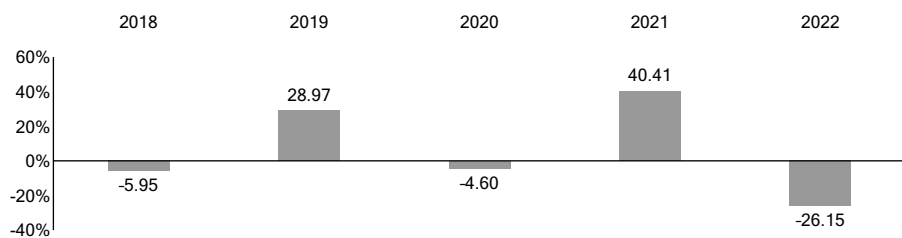
- *Industry concentration risk*, which is the chance that the stocks of REITs and other real estate-related investments will decline because of adverse developments affecting the real estate industry and real property values. Because the Fund concentrates its assets in these stocks, industry concentration risk is high.
- *Interest rate risk*, which is the chance that REIT stock prices overall will decline and that the cost of borrowing for REITs will increase because of rising interest rates. Interest rate risk is high for the Fund.
- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a limited number of companies, which could cause the Fund to underperform the overall stock market.
- *Investment style risk*, which is the chance that returns from the stocks of REITs and other real estate-related investments—which typically are small- or mid-capitalization stocks—will trail returns from the overall stock market. Historically, these stocks have performed quite differently from the overall market.
- *Nondiversification risk*, which is the chance that the Fund may invest a greater percentage of its assets in a particular issuer or group of issuers or may own larger positions of an issuer's voting stock than a diversified fund.
- *Index replicating risk*, which is the chance that the Fund may be prevented from holding one or more securities in the same proportion as in its target index.

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

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's Institutional Plus Shares has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the Institutional Plus Shares compare with those of the Fund's target index and comparative indexes, which have investment characteristics similar to those of the Fund. Effective July 24, 2018, the Fund began tracking the MSCI US Investable Market Real Estate 25/50 Index as its target index. The Real Estate Spliced Index reflects performance of the MSCI US REIT Index through February 1, 2018; the MSCI US Investable Market Real Estate 25/50 Transition Index through July 24, 2018; and the MSCI US Investable Market Real Estate 25/50 Index thereafter. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

### Annual Total Returns — Vanguard Real Estate II Index Fund Institutional Plus Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on March 31, 2023, was 1.78%.

During the periods shown in the bar chart, the highest and lowest returns for a calendar quarter were:

	Total Return	Quarter
Highest	17.29%	March 31, 2019
Lowest	-24.09%	March 31, 2020

**Average Annual Total Returns for Periods Ended December 31, 2022**

	1 Year	5 Years	Since Fund Inception	Fund Inception Date
<b>Vanguard Real Estate II Index Fund Institutional Plus Shares</b>				<b>9/26/2017</b>
Return Before Taxes	-26.15%	3.71%	3.79%	
Return After Taxes on Distributions	-27.08	2.61	2.63	
Return After Taxes on Distributions and Sale of Fund Shares	-15.31	2.44	2.47	
<b>Real Estate Spliced Index</b> (reflects no deduction for fees, expenses, or taxes)	-26.12%	3.78%	3.86%	
<b>MSCI US Investable Market Real Estate 25/50 Index</b> (reflects no deduction for fees, expenses, or taxes)	-26.12	4.06	4.38	
<b>Dow Jones U.S. Total Stock Market Float Adjusted Index</b> (reflects no deduction for fees, expenses, or taxes)	-19.53	8.65	9.69	



## **Investment Advisor**

The Vanguard Group, Inc. (Vanguard)

## **Portfolio Managers**

Walter Nejman, Portfolio Manager at Vanguard. He has co-managed the Fund since its inception in 2017.

Gerard C. O'Reilly, Principal of Vanguard. He has co-managed the Fund since its inception in 2017.

## **Purchase and Sale of Fund Shares**

You may purchase or redeem shares online through our website (*vanguard.com*), by mail (The Vanguard Group, P.O. Box 982901, El Paso, TX 79998-2901), or by telephone (800-662-2739). The minimum investment amount required to open and maintain a Fund account for Institutional Plus Shares is \$100 million. The minimum investment amount required to add to an existing Fund account is generally \$1.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain or may constitute non-taxable return of capital. If you are investing through a tax-advantaged account, special tax rules apply.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Investing in Index Funds

## What Is Indexing?

Indexing is an investment strategy for tracking the performance of a specified market benchmark, or “index.” An index is a group of securities whose overall performance is used as a standard to measure the investment performance of a particular market. There are many types of indexes. Some represent entire markets—such as the U.S. stock market or the U.S. bond market. Other indexes cover market segments—such as small-capitalization stocks or short-term bonds. One cannot invest directly in an index.


The index sponsor determines the securities to include in the index and the weighting of each security in the index. Under normal circumstances, the index sponsor will rebalance an index on a regular schedule. An index sponsor may carry out additional ad hoc index rebalances or delay or cancel a scheduled rebalance. Generally, the index sponsor does not provide any warranty, or accept any liability, with respect to the quality, accuracy, or completeness of either the target index or its related data. Errors made by the index sponsor may occur from time to time and may not be identified by the index sponsor for a period of time or at all. Vanguard does not provide any warranty or guarantee against such errors. Therefore, the gains, losses, or costs associated with the index sponsor’s errors will generally be borne by the index fund and its shareholders.

An index fund seeks to hold all, or a representative sample, of the securities that make up its target index. Index funds attempt to mirror the performance of the target index, for better or worse. However, an index fund generally does not perform *exactly* like its target index. For example, index funds have operating expenses and transaction costs. Market indexes do not, and therefore they will usually have a slight performance advantage over funds that track them. The ability of an index fund to match its performance to that of its target index can also be impacted by, among other things, the timing and size of cash flows, asset valuation differences, and the size of the fund. Market disruptions could also have an adverse effect on a fund’s ability to adjust its exposure to the required levels in order to track the index. The risk that a fund may not track the performance of its target index may be heightened during times of increased market volatility or other unusual market conditions.

Index funds typically have the following characteristics:

- *Variety of investments.* Depending on a fund’s benchmark index, the fund may invest in the securities of a variety of companies, industries, and/or governments or government agencies.
- *Relative performance consistency.* Because they seek to track market benchmarks, index funds usually do not perform dramatically better or worse than their benchmarks.
- *Low cost.* Index funds are generally inexpensive to run compared with actively managed funds. They have low or no research costs and typically keep trading activity—and thus brokerage commissions and other transaction costs—to a minimum compared with actively managed funds.

## More on the Fund

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

### A Similar but Different Vanguard Fund

The Fund offered by this prospectus is a wholly owned subsidiary of Vanguard Real Estate Index Fund. While functioning as a wholly owned subsidiary (as defined by the Investment Company Act of 1940), Vanguard Real Estate II Index Fund will seek to have the same investment objective and strategies as Vanguard Real Estate Index Fund and to operate effectively with similar policies as set forth by the Investment Company Act of 1940. However, Vanguard Real Estate II Index Fund should not be confused with Vanguard Real Estate Index Fund, which is a separate Vanguard fund that also seeks to track the performance of the MSCI US Investable Market Real Estate 25/50 Index. Both funds seek to replicate the stocks that make up the target index. This index replication strategy, combined with differences in the funds' respective cash flows and expenses, is expected to produce slightly different investment returns by the funds. To obtain a prospectus for Vanguard Real Estate Index Fund, please call 800-662-7447.

### Plain Talk About Fund Expenses

All mutual funds have operating expenses. These expenses, which are deducted from a fund's gross income, are expressed as a percentage of the net assets of the fund. Assuming that operating expenses remain as stated in the Fees and Expenses section, Vanguard Real Estate II Index Fund's expense ratio would be 0.08%, or \$0.80 per \$1,000 of average net assets. The average expense ratio for real estate funds in 2022 was 1.16%, or \$11.60 per \$1,000 of average net assets (derived from data provided by Lipper, a Thomson Reuters Company, which reports on the mutual fund industry).

## Plain Talk About Costs of Investing

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

The following sections explain the principal investment strategies and policies that the Fund uses in pursuit of its investment objective. The Fund's board of trustees, which oversees the Fund's management, may change investment strategies or policies in the interest of shareholders without a shareholder vote, unless those strategies or policies are designated as fundamental. Note that the Fund's investment objective is not fundamental and may be changed without a shareholder vote. Under normal circumstances, the Fund will invest at least 80% of its assets in the stocks that make up its target index. The Fund may change its 80% policy only upon 60 days' notice to shareholders.

### **Market Exposure**

The Fund invests in stocks of publicly traded equity real estate investment trusts and other real estate-related investments.

## Plain Talk About REITs

Rather than directly owning properties—which can be costly and difficult to convert into cash when needed—some investors buy shares in a company that owns and manages real estate. Such a company is known as a real estate investment trust, or REIT. Unlike corporations, REITs do not have to pay income taxes if they meet certain Internal Revenue Code requirements. To qualify, a REIT must distribute at least 90% of its taxable income to its shareholders and receive at least 75% of that income from rents, mortgages, and sales of property. REITs offer investors greater liquidity and diversification than direct ownership of a handful of properties. REITs also offer the potential for higher income than an investment in common stocks would provide. As with any investment in real estate, however, a REIT's performance depends on specific factors, such as the company's ability to find tenants for its properties, to renew leases, and to finance property purchases and renovations. That said, returns from REITs may not correspond to returns from direct property ownership.



*The Fund is subject to investment style risk, which is the chance that returns from the stocks of REITs and other real estate-related investments—which typically are small- or mid-capitalization stocks—will trail returns from the overall stock market. Historically, these stocks have performed quite differently from the overall market.*


Stocks of publicly traded companies are often classified according to market capitalization, which is the market value of a company's outstanding shares. These classifications typically include small-cap, mid-cap, and large-cap. It is important to understand that there are no "official" definitions of small-, mid-, and large-cap, even among Vanguard fund advisors, and that market capitalization ranges can change over time. Securities in the MSCI US Investable Market Real Estate 25/50 Index have differing levels of capitalization. The asset-weighted median market capitalization of the Fund's stock holdings as of January 31, 2023, was \$25.2 billion.


Small- and mid-cap stocks tend to have greater volatility than large-cap stocks because, among other things, smaller companies often have fewer customers, financial resources, and products than larger firms. Such characteristics can make small and mid-size companies more sensitive to changing economic conditions. REIT stocks tend to have a significant amount of dividend income, which can reduce the impact of this volatility. However, the Fund is subject to

additional risk because of the concentration of its investments in the real estate sector. This focus on a single sector may result in more risk than that for a more diversified, multisector portfolio.


## Plain Talk About Types of REITs

An *equity REIT* generally owns properties directly. Equity REITs typically generate income from rental and lease payments, and they offer the potential for growth from property appreciation as well as occasional capital gains from the sale of property. A *mortgage REIT* makes loans to commercial real estate developers. Mortgage REITs earn interest income and are subject to credit risk (i.e., the chance that a developer will fail to repay a loan). A *hybrid REIT* holds both properties and mortgages. The Fund invests in equity REITs and other real estate-related investments.

 *The Fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a limited number of companies, which could cause the Fund to underperform the overall stock market.*

 *The Fund is subject to interest rate risk, which is the chance that REIT stock prices overall will decline and that the cost of borrowing for REITs will increase because of rising interest rates. Interest rate risk is high for the Fund.*

In general, during periods of high interest rates, REITs may lose some of their appeal for investors who may be able to obtain higher yields from other income-producing investments, such as long-term bonds. Higher interest rates also mean that financing for property purchases and improvements is more costly and difficult to obtain.

 *The Fund is subject to industry concentration risk, which is the chance that the stocks of REITs and other real estate-related investments will decline because of adverse developments affecting the real estate industry and real property values. Because the Fund concentrates its assets in these stocks, industry concentration risk is high.*

Because of its emphasis on stocks issued by REITs and other real estate-related investments, the Fund's performance may at times be linked to the ups and downs of the real estate market. In general, real estate values can be affected by a variety of factors, including, but not limited to, supply and demand for

properties, the economic health of the nation as well as different regions, and the strength of specific industries that rent properties. Ultimately, an individual REIT's performance depends on the types and locations of the properties it owns and on how well the REIT manages its properties. For instance, rental income could decline because of extended vacancies, increased competition from nearby properties, tenants' failure to pay rent, regulatory limitations on rents, fluctuations in rental income, variations in market rental rates, or incompetent management. Property values could decrease because of overbuilding in the area, environmental liabilities, uninsured damages caused by natural disasters, a general decline in the neighborhood, losses because of casualty or condemnation, increases in property taxes, or changes in zoning laws. Loss of IRS status as a qualified REIT may also affect an individual REIT's performance. In addition, many real estate issuers, including REITs, utilize leverage (and some may be highly leveraged), which increases investment risk and could adversely affect the issuer's operations and market value in periods of rising interest rates.

Market disruptions can adversely affect local and global markets as well as normal market conditions and operations. Any such disruptions could have an adverse impact on the value of the Fund's investments and Fund performance.

### **Security Selection**

The Fund attempts to track the investment performance of a benchmark index that measures the performance of publicly traded equity REITs and other real estate-related investments, including but not limited to specialized REITs, and real estate management and development companies.

The Fund attempts to hold each stock contained in the MSCI US Investable Market Real Estate 25/50 Index in roughly the same proportion as represented in the Index itself. For example, if 5% of the MSCI US Investable Market Real Estate 25/50 Index were made up of the stock of a specific REIT, the Fund would seek to invest approximately the same percentage of its assets in that stock.





*The Fund is subject to index replicating risk, which is the chance that the Fund may be prevented from holding one or more securities in the same proportion as in its target index.*

The MSCI US Investable Market Real Estate 25/50 Index is a float-adjusted market-capitalization-weighted index. It is made up of the stocks of publicly traded equity REITs and other real estate-related investments that meet certain criteria. For example, to be included initially in the Index, a REIT must meet a minimum market capitalization threshold and have enough shares and trading

volume to be considered liquid. In line with the Index, the Fund invests in equity REITs and other real estate-related investments, including but not limited to specialized REITs, and real estate management and development companies.

As of January 31, 2023, 163 equity REITs and other real estate-related investments were included in the Index. On a quarterly basis, the Index is rebalanced and its current stocks are tested for continued compliance with the guidelines of the Index. A REIT may be removed from the Index because of a decline in market capitalization, because it becomes illiquid, or because of other changes in its status.

 *The Fund is subject to asset concentration risk, which is the chance that, because the Fund tends to invest a high percentage of assets in its ten largest holdings, the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks.*

 *The Fund is subject to nondiversification risk, which is the chance that the Fund may invest a greater percentage of its assets in a particular issuer or a group of issuers or may own larger positions of an issuer's voting stock than a diversified fund.*

Stocks in the MSCI US Investable Market Real Estate 25/50 Index represent a broadly diversified range of property types. The makeup of the Fund, as of January 31, 2023, was:

Fund Allocation by Company Type	Percentage of Fund <sup>1</sup>
Specialized	37.28%
Residential	13.62
Industrial	12.41
Retail	12.64
Health Care	7.94
Office	5.50
Real Estate Services	4.07
Diversified	2.94
Hotel & Resort	2.77
Real Estate Development	0.26
Real Estate Operating Companies	0.42
Diversified Real Estate Activities	0.15


<sup>1</sup> Due to rounding, the total percentage may not be equal to 100%.

## Other Investment Policies and Risks

The Fund reserves the right to substitute a different index for the index it currently tracks if the current index is discontinued, if the Fund's agreement with




the sponsor of its target index is terminated, or for any other reason determined in good faith by the Fund's board of trustees. In any such instance, the substitute index would represent the same market segment as the current index.

 ***The Fund is subject to REIT ownership limitation risk, which is the chance that the Fund may be unable to purchase (or otherwise obtain economic exposure to) the desired amounts of certain REITs included in its target index.***

The Fund has significant ownership positions in many REITs included in its target index. For tax and other reasons, a REIT imposes limits on how much of its securities investors may own. If an ownership limit is reached, Vanguard may seek to obtain an ownership waiver from the REIT to exceed the limit. If the Fund is unable to obtain a waiver or an existing waiver is terminated, then the Fund may seek to obtain economic exposure to the REIT through alternative means, such as through a total return swap, which may be more costly than owning REIT shares directly. If the Fund is unable to obtain either an ownership waiver or economic exposure to the REIT through alternative means, the Fund may experience increased tracking error. In addition, to maintain its qualification as a regulated investment company for tax purposes, the Fund may be unable to obtain additional economic exposure to certain REITs, which may increase tracking error. Additional measures could be taken in the future in response to REIT ownership limits, including changing the Fund's investment strategy, limiting additional purchases into the Fund, or any other appropriate action.

The Fund may invest in foreign securities to the extent necessary to carry out its investment strategy of holding all, or substantially all, of the stocks that make up the index it tracks.

In addition to investing in common stocks of REITs and other real estate-related investments, the Fund may make other kinds of investments to achieve its investment objective.

 ***The Fund may invest in derivatives. In general, investments in derivatives may involve risks different from, and possibly greater than, those of investments directly in the underlying securities or assets.***

Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, a bond, or a currency), a physical asset (such as gold, oil, or wheat), a market index, or a reference rate. The Fund may invest in derivatives only if the expected risks and rewards of the derivatives are consistent with the investment objective, policies, strategies, and risks of

the Fund as disclosed in this prospectus. In particular, derivatives will be used only when they may help the advisor to accomplish one or more of the following:

- Invest in eligible asset classes with greater efficiency and lower cost than is possible through direct investment.
- Obtain economic exposure to a stock, a basket of stocks, or an index when deemed desirable or necessary.
- Add value when these instruments are attractively priced.

The market for many derivatives is, or suddenly can become, illiquid, which may result in significant, rapid, and unpredictable changes in the prices for derivatives. The Fund's use of a derivative subjects it to the risk of nonperformance by the counterparty, potentially resulting in delayed or partial payment or even nonpayment of amounts due under the derivative contract. The Fund attempts to mitigate this risk by requiring the posting of collateral by its counterparty.

The Fund's derivative investments may include total return swaps or other derivatives.

### Plain Talk About Derivatives

Derivatives can take many forms. Some forms of derivatives—such as exchange-traded futures and options on securities, commodities, or indexes—have been trading on regulated exchanges for decades. These types of derivatives are standardized contracts that can easily be bought and sold and whose market values are determined and published daily. On the other hand, non-exchange-traded derivatives—such as certain swap agreements—tend to be more specialized or complex and may be more difficult to accurately value.

### Cash Management

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

## Redemption Requests

**Methods used to meet redemption requests.** Under normal circumstances, the Fund typically expects to meet redemptions with positive cash flows. When this is not an option, the Fund seeks to maintain its risk exposure by selling a cross section of the Fund's holdings to meet redemptions, while also factoring in transaction costs. Additionally, since the Fund is only available for limited purchase by certain institutional accounts for which Vanguard or its affiliates has discretionary authority, the Fund's portfolio managers are typically aware of upcoming redemption requests. The Fund may work with larger clients to implement their redemptions in a manner that is least disruptive to the portfolio.

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

As a wholly owned subsidiary, the Fund may experience large redemptions or investments due to transactions in its shares by Vanguard Real Estate Index Fund. While it is impossible to predict the overall effect of these transactions over time, there could be an adverse impact on the Fund's performance. In the event of such redemptions or investments, the Fund could be required to sell securities or to invest cash at a time when it may not otherwise desire to do so. Such transactions may increase the Fund's brokerage and/or other transaction costs and affect the liquidity of the Fund's portfolio. In addition, when a large shareholder owns a substantial portion of a fund's shares, a large redemption by such an investor could cause actual expenses to increase or could result in the fund's current expenses being allocated over a smaller asset base, leading to an increase in the fund's expense ratio. Finally, such a redemption may cause a fund to incur higher transaction costs, lead to the realization of taxable capital gains, or cause the remaining shareholders to receive distributions representing a disproportionate share of the fund's ordinary income and long-term capital gains.

## Temporary Investment Measures

The Fund may temporarily depart from its normal investment policies and strategies when the advisor believes that doing so is in the Fund's best interest, so long as the strategy or policy employed is consistent with the Fund's

investment objective. For instance, the Fund may invest beyond its normal limits in derivatives or exchange-traded funds that are consistent with the Fund's investment objective when those instruments are more favorably priced or provide needed liquidity, as might be the case when the Fund receives large cash flows that it cannot prudently invest immediately.

### **Frequent Trading or Market-Timing**

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

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

- Each Vanguard fund reserves the right to reject any purchase request—including exchanges from other Vanguard funds—without notice and regardless of size. For example, a purchase request could be rejected because the investor has a history of frequent trading or if Vanguard determines that such purchase may negatively affect a fund's operation or performance.
- Each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) generally prohibits, except as otherwise noted in the Investing With Vanguard section, an investor's purchases or exchanges into a fund account for

30 calendar days after the investor has redeemed or exchanged out of that fund account.

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

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

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

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

**A precautionary note to investment companies:** The Fund's shares are issued by a registered investment company, and therefore the acquisition of such shares by other investment companies and private funds is subject to the restrictions of Section 12(d)(1) of the Investment Company Act of 1940 (the 1940 Act). SEC Rule 12d1-4 under the 1940 Act permits registered investment companies to invest in other registered investment companies beyond the limits in Section 12(d)(1), subject to certain conditions, including that funds with different investment advisors must enter into a fund of funds investment agreement.

### **Turnover Rate**

Although the Fund generally seeks to invest for the long term, it may sell securities regardless of how long they have been held. The **Financial Highlights** section of this prospectus shows historical turnover rates for the Fund. A turnover rate of 100%, for example, would mean that the Fund had sold and replaced securities valued at 100% of its net assets within a one-year period. In general, the greater the turnover rate, the greater the impact transaction costs will have on a fund's return. Also, funds with high turnover rates may be more likely to generate capital gains, including short-term capital gains, that must be distributed to shareholders and will be taxable to shareholders investing through a taxable account.

### **The Fund and Vanguard**

The Fund is a member of The Vanguard Group, Inc. (Vanguard), a family of over 200 funds. All of the funds that are members of Vanguard (other than funds of funds) share in the expenses associated with administrative services and business operations, such as personnel, office space, and equipment.

Vanguard Marketing Corporation provides marketing services to the funds. Although fund shareholders do not pay sales commissions or 12b-1 distribution fees, each fund (other than a fund of funds) or each share class of a fund (in the case of a fund with multiple share classes) pays its allocated share of the Vanguard funds' marketing costs.

### Plain Talk About Vanguard's Unique Corporate Structure

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

## Investment Advisor

The Vanguard Group, Inc., P.O. Box 2600, Valley Forge, PA 19482, which began operations in 1975, serves as advisor to the Fund through its Equity Index Group. As of January 31, 2023, Vanguard served as advisor for approximately \$6.3 trillion in assets. Vanguard provides investment advisory services to the Fund pursuant to the Funds' Service Agreement and subject to the supervision and oversight of the trustees and officers of the Fund.

For the fiscal year ended January 31, 2023, the advisory expenses represented an effective annual rate of 0.01% of the Fund's average net assets.

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

For a discussion of why the board of trustees approved the Fund's investment advisory arrangement, see the most recent semiannual report to shareholders covering the fiscal period ended July 31.

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

**Walter Nejman**, Portfolio Manager at Vanguard. He has been with Vanguard since 2005, has worked in investment management since 2008, and has co-managed the Fund since its inception in 2017. Education: B.A., Arcadia University; M.B.A., Villanova University.

**Gerard C. O'Reilly**, Principal of Vanguard. He has been with Vanguard since 1992, has managed investment portfolios since 1994, and has co-managed the Fund since its inception in 2017. Education: B.S., Villanova University.

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

## **Dividends, Capital Gains, and Taxes**

### **Fund Distributions**

Each March, June, September, and December, the Fund pays out to shareholders virtually all of the distributions it receives from its investments, less expenses. Distributions may include income, return of capital, and capital gains. The Fund may also realize capital gains on the sale of its investments.

Distributions of these gains, if any, are included in the December distribution. In addition, the Fund may occasionally make a supplemental distribution at some other time during the year. You can receive distributions of income or capital gains or return of capital in cash, or you can have them automatically reinvested in more shares of the Fund.

## Plain Talk About Distributions

As a shareholder, you are entitled to your portion of a fund's income from interest and dividends as well as capital gains from the fund's sale of investments. Income consists of both the dividends that the fund earns from any stock holdings and the interest it receives from any money market and bond investments. Capital gains are realized whenever the fund sells securities for higher prices than it paid for them.

## Plain Talk About Return of Capital

The Internal Revenue Code requires a REIT to distribute at least 90% of its taxable income to investors. In many cases, however, because of "noncash" expenses such as property depreciation, an equity REIT's cash flow will exceed its taxable income. The REIT may distribute this excess cash to investors. Such a distribution is classified as a *return of capital*.

## Basic Tax Points

Vanguard (or your intermediary) expects to send you a statement each **February** showing the tax status of all of your distributions. (Other Vanguard funds mail their tax statements in January; the Fund mails its statements later because REITs do not provide information on the taxability of their distributions until after the calendar year-end.) In addition, investors in taxable accounts should be aware of the following basic federal income tax points:

- Distributions (other than any return of capital) are taxable to you whether or not you reinvest these amounts in additional Fund shares.
- Distributions declared in December—if paid to you by the end of January—are taxable as if received in December.
- Any dividend distribution or short-term capital gains distribution that you receive is taxable to you as ordinary income. If you are an individual and meet certain holding-period requirements with respect to your Fund shares, you may be eligible for reduced tax rates on "qualified dividend income," if any, or a special tax deduction on "qualified REIT dividends," if any distributed by the Fund.
- Any distribution of net long-term capital gains is taxable to you as long-term capital gains, no matter how long you have owned shares in the Fund.
- Capital gains distributions may vary considerably from year to year as a result of the Fund's normal investment activities and cash flows.



- A sale or exchange of Fund shares is a taxable event. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your tax return.
- Dividend distributions attributable to the Fund’s REIT investments are generally not eligible for the corporate dividends-received deduction.
- Your cost basis in the Fund will be decreased by the amount of any return of capital that you receive. This, in turn, will affect the amount of any capital gain or loss that you realize when selling or exchanging your Fund shares.
- Return of capital distributions generally are not taxable to you until your cost basis has been reduced to zero. If your cost basis is at zero, return of capital distributions will be treated as capital gains.

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

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

This prospectus provides general tax information only. If you are investing through a tax-advantaged account, special tax rules apply. Please consult your tax advisor for detailed information about any tax consequences for you.

## Plain Talk About Buying a Dividend

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

### General Information

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

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

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

**Foreign investors.** Vanguard funds offered for sale in the United States (Vanguard U.S. funds), including the Fund offered in this prospectus, are not widely available outside the United States. Non-U.S. investors should be aware that U.S. withholding and estate taxes and certain U.S. tax reporting requirements may apply to any investments in Vanguard U.S. funds. Foreign investors should visit the non-U.S. investors page on our website at [vanguard.com](http://vanguard.com) for information on Vanguard’s non-U.S. products.

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

## Share Price

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

Stocks held by a Vanguard fund are valued at their *market value* when reliable market quotations are readily available from the principal exchange or market on which they are traded. Such securities are generally valued at their official closing price, the last reported sales price, or if there were no sales that day, the mean between the closing bid and asking prices. When a fund determines that market quotations either are not readily available or do not accurately reflect the value of a security, the security is priced at its *fair value* (the amount that the owner might reasonably expect to receive upon the current sale of the security).

The values of any foreign securities held by a fund are converted into U.S. dollars using an exchange rate obtained from an independent third party as of the close of regular trading on the NYSE. The values of any mutual fund shares, including institutional money market fund shares, held by a fund are based on the NAVs of the shares. The values of any ETF shares or closed-end fund shares held by a fund are based on the market value of the shares.

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

Fair-value pricing may be used for domestic securities—for example, if (1) trading in a security is halted and does not resume before the fund’s pricing time or a security does not trade in the course of a day and (2) the fund holds enough of the security that its price could affect the NAV.

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

The Fund has authorized certain financial intermediaries and their designees, and may, from time to time, authorize certain funds of funds for which Vanguard serves as the investment advisor (Vanguard Funds of Funds), to accept orders to buy or sell fund shares on its behalf. The Fund will be deemed to receive an order when accepted by the financial intermediary, its designee, or one of the Vanguard Funds of Funds, and the order will receive the NAV next computed by the Fund after such acceptance.

Vanguard fund share prices are published daily on our website at [vanguard.com/prices](http://vanguard.com/prices).

# Financial Highlights

Financial highlights information is intended to help you understand a fund's performance for the past five years (or, if shorter, its period of operations). Certain information reflects financial results for a single fund share. Total return represents the rate that an investor would have earned or lost each period on an investment in a fund or share class (assuming reinvestment of all distributions). This information has been obtained from the financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report, along with fund financial statements, is included in a fund's most recent annual report to shareholders. You may obtain a free copy of a fund's latest annual or semiannual report, which is available upon request.

## Vanguard Real Estate II Index Fund

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2023	2022	2021	2020	2019
<b>Net Asset Value, Beginning of Period</b>	<b>\$25.69</b>	<b>\$20.50</b>	<b>\$22.64</b>	<b>\$20.10</b>	<b>\$19.17</b>
<b>Investment Operations</b>					
Net Investment Income <sup>1</sup>	.558	.484	.471	.571	.611
Net Realized and Unrealized Gain (Loss) on Investments	(3.493)	5.427	(1.808)	2.752	1.176
Total from Investment Operations	(2.935)	5.911	(1.337)	3.323	1.787
<b>Distributions</b>					
Dividends from Net Investment Income	(.528)	(.477)	(.465)	(.590)	(.626)
Distributions from Realized Capital Gains	(.238)	(.034)	—	—	—
Return of Capital	(.129)	(.210)	(.338)	(.193)	(.231)
Total Distributions	(.895)	(.721)	(.803)	(.783)	(.857)
<b>Net Asset Value, End of Period</b>	<b>\$21.86</b>	<b>\$25.69</b>	<b>\$20.50</b>	<b>\$22.64</b>	<b>\$20.10</b>
<b>Total Return</b>	<b>-11.23%</b>	<b>28.96%</b>	<b>-5.70%</b>	<b>16.78%</b>	<b>9.68%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$8,690	\$9,542	\$7,400	\$7,848	\$6,719
Ratio of Total Expenses to Average Net Assets	0.08% <sup>2</sup>	0.08%	0.08%	0.08%	0.08%
Ratio of Net Investment Income to Average Net Assets	2.47%	1.95%	2.41%	2.63%	3.22%
Portfolio Turnover Rate	5% <sup>3</sup>	6%	4%	3%	23%

1 Calculated based on average shares outstanding.

2 The ratio of expenses to average net assets for the period net of reduction from custody fee offset arrangements was 0.08%.

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.

## Investing With Vanguard

The Fund has been established by Vanguard primarily as an investment vehicle for other Vanguard funds, currently Vanguard Real Estate Index Fund, and is available on a limited basis to certain other qualified institutional investors, including certain trusts and accounts managed by Vanguard or its affiliates. Vanguard reserves the right to change the availability of the Fund at any time without prior notice to shareholders.

The minimum investment amount required to open and maintain a Fund account for Institutional Plus Shares is \$100 million. The minimum investment amount required to add to an existing Fund account is generally \$1. Vanguard reserves the right, without notice, to increase or decrease the minimum amount required to open or maintain a fund account or to add to an existing fund account.

Transactions will be based on the next-determined NAV of the Fund's Institutional Plus Shares after Vanguard receives the request in good order (or, in the case of new contributions, the next-determined NAV after Vanguard receives the purchase request). If the request is received before the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time), the investor will receive that day's NAV and trade date. Transaction requests received after that time will receive a trade date of the first business day following the date of receipt. The trade date may vary, depending on the method of payment for the transaction. NAVs are calculated only on days that the NYSE is open for trading (a business day). In the rare event the NYSE experiences unanticipated disruptions and is unavailable at the close of the trading day, NAVs will be calculated as of the close of regular trading on the Nasdaq (or another alternate exchange if the Nasdaq is unavailable, as determined at Vanguard's discretion), generally 4 p.m., Eastern time. The time selected for NAV calculation in this rare event shall also serve as the conclusion of the trading day.

If a redemption request is received in good order, Vanguard typically expects that redemption proceeds will be paid by the Fund within one business day of the trade date; however, in certain circumstances, investors may experience a longer settlement period at the time of the transaction.

## Frequent-Trading Limitations

Because excessive transactions can disrupt management of a fund and increase the fund's costs for all shareholders, the board of trustees of each Vanguard fund places certain limits on frequent trading in the funds. Each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) limits an investor's

purchases or exchanges into a fund account for 30 calendar days after the investor has redeemed or exchanged out of that fund account. ETF Shares are not subject to these frequent-trading limits.

For Vanguard Retirement Investment Program pooled plans, the limitations apply to exchanges made online or by telephone.

These frequent-trading limitations *do not* apply to the following:

- Purchases of shares with reinvested dividend or capital gains distributions.
- Transactions through Vanguard's Automatic Investment Plan, Automatic Exchange Service, Direct Deposit Service, Automatic Withdrawal Plan, Required Minimum Distribution Service, Vanguard Small Business Online<sup>®</sup>, and certain transactions through intermediaries relating to systematic trades and required minimum distributions.
- Discretionary transactions through Vanguard Personal Advisor Services<sup>®</sup>, Vanguard Institutional Advisory Services<sup>®</sup>, Vanguard Digital Advisor<sup>™</sup>, and discretionary (advisor-directed) transactions through certain intermediaries.
- Redemptions of shares to pay fund or account fees.
- Redemptions of shares to remove excess shareholder contributions to certain types of retirement accounts (including, but not limited to, IRAs and Vanguard Individual 401(k) Plans).
- Transfers and reregistrations of shares within the same fund.
- Purchases of shares by asset transfer or direct rollover.
- Conversions of shares from one share class to another in the same fund.
- Checkwriting redemptions.
- Section 529 college savings plans.
- Certain approved institutional portfolios and asset allocation programs, as well as trades made by funds or trusts managed by Vanguard or its affiliates that invest in other Vanguard funds. (Please note that *shareholders* of Vanguard's funds of funds *are* subject to the limitations.)

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

- Purchases of shares with participant payroll or employer contributions or loan repayments.
- Purchases of shares with reinvested dividend or capital gains distributions.
- Distributions, loans, and in-service withdrawals from a plan.

- Redemptions of shares as part of a plan termination or at the direction of the plan.
- Transactions executed through the Vanguard Managed Account Program.
- Redemptions of shares to pay fund or account fees.
- Share or asset transfers or rollovers.
- Reregistrations of shares.
- Conversions of shares from one share class to another in the same fund.
- Exchange requests submitted by written request to Vanguard. (Exchange requests submitted by fax, if otherwise permitted, *are* subject to the limitations.)

\* The following Vanguard fund accounts are subject to the frequent-trading limitations: SEP-IRAs, SIMPLE IRAs, certain Individual 403(b)(7) Custodial Accounts, and Vanguard Individual 401(k) Plans.

### **Accounts Held by Institutions (Other Than Defined Contribution Plans)**

Vanguard will systematically monitor for frequent trading in institutional clients' accounts. If we detect suspicious trading activity, we will investigate and take appropriate action, which may include applying to a client's accounts the 30-day policy previously described, prohibiting a client's purchases of fund shares, and/or revoking the client's exchange privilege.

### **Accounts Held by Intermediaries**

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

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



## Portfolio Holdings

Please consult the Fund's *Statement of Additional Information* or our website for a description of the policies and procedures that govern disclosure of the Fund's portfolio holdings.

## Shareholder Rights

The Fund's Agreement and Declaration of Trust, as amended, requires a shareholder bringing a derivative action on behalf of Vanguard Fixed Income Securities Funds (the Trust) that is subject to a pre-suit demand to collectively hold at least 10% of the outstanding shares of the Trust or at least 10% of the outstanding shares of the series or class to which the demand relates and to undertake to reimburse the Trust for the expense of any counsel or advisors used when considering the merits of the demand in the event that the board of trustees determines not to bring such action. In each case, these requirements do not apply to claims arising under the federal securities laws to the extent that any such federal securities laws, rules, or regulations do not permit such application.

## Additional Information

The Fund's Bylaws require, unless the Trust otherwise consents in writing, that the U.S. Federal District Courts be the sole and exclusive forum for the resolution of complaints under the Securities Act of 1933. This provision may limit a shareholder's ability to bring a claim in a different forum and may result in increased shareholder costs in pursuing such a claim.

Vanguard Fund	Inception Date	Newspaper Abbreviation	Vanguard Fund Number	CUSIP Number
<b>Vanguard Real Estate II Index Fund</b>	9/26/2017	REIIxInsP	2023	922031695

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ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE MSCI INDEXES FROM SOURCES WHICH MSCI CONSIDERS RELIABLE, NONE OF THE MSCI PARTIES WARRANTS OR GUARANTEES THE ORIGINALITY, ACCURACY AND/OR THE COMPLETENESS OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. NONE OF THE MSCI PARTIES MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, LICENSEE'S CUSTOMERS OR COUNTERPARTIES, ISSUERS OF THIS FUND, OWNERS OF THIS FUND, OR ANY OTHER PERSON OR ENTITY, FROM THE USE OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED HEREUNDER OR FOR ANY OTHER USE. NONE OF THE MSCI PARTIES SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS OF OR IN CONNECTION WITH ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. FURTHER, NONE OF THE MSCI PARTIES MAKES ANY EXPRESS OR IMPLIED WARRANTIES OF ANY KIND, AND THE MSCI PARTIES HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY MSCI INDEX AND ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING WITHOUT LIMITATION LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

## Glossary of Investment Terms

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

**Common Stock.** A security representing ownership rights in a corporation.

**Cost Basis.** The adjusted cost of an investment, used to determine a capital gain or loss for tax purposes.

**Distributions.** Payments to mutual fund shareholders of dividend income, capital gains, and return of capital generated by the mutual fund's investment activities and distribution policies, after expenses.

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

**Dow Jones U.S. Total Stock Market Float Adjusted Index.** An index that represents the entire U.S. stock market and tracks more than 5,000 stocks, excluding shares of securities not available for public trading.

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

**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 generally measured from the inception date.

**Indexing.** A low-cost investment strategy in which a mutual fund attempts to track—rather than outperform—a specified market benchmark, or "index."

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

**Liquidity.** The degree of a security's marketability (i.e., how quickly the security can be sold at a fair price and converted to cash).

**Median Market Capitalization.** 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.

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

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

**Return of Capital.** A return of capital occurs when a fund's distributions exceed its earnings in a fiscal year. A return of capital is a return of all or part of your original investment or amounts paid in excess of your original investment in a fund. In general, a return of capital reduces your cost basis in a fund's shares and is not taxable to you until your cost basis has been reduced to zero.

**Securities.** Stocks, bonds, money market instruments, and other investments.

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

**Tracking Error.** A measure of the difference between the performance of a fund or portfolio and that of its benchmark index.

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

**Wholly Owned Subsidiary.** A company of which 95% or more of the outstanding voting securities are owned by another company, as defined by the Investment Company Act of 1940.

**Yield.** Income (interest or dividends) earned by an investment, expressed as a percentage of the investment's price.



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#### **For More Information**

If you would like more information about Vanguard Real Estate II Index Fund, the following documents are available free upon request:

#### **Annual/Semiannual Reports to Shareholders**

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

#### **Statement of Additional Information (SAI)**

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

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

*If you are an individual investor:*

Telephone: 800-662-7447; Text telephone for people with hearing impairment: 800-749-7273

*If you are a client of Vanguard's Institutional Division:*

Telephone: 888-809-8102; Text telephone for people with hearing impairment: 800-749-7273

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

Client Services Department

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

#### **Information Provided by the SEC**

Reports and other information about the Fund are available in the EDGAR database on the SEC's website at [sec.gov](https://sec.gov), or you can receive copies of this information, for a fee, by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov).

Fund's Investment Company Act file number: 811-02368