

# Episcopal Foundation of Dallas

November 2019



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# Agenda

- I. Financial Market Review
- II. Portfolio Performance
- III. Fees and Expenses
- IV. Domestic Active Equity
- V. Economic and Market Outlook

**Presented by:**

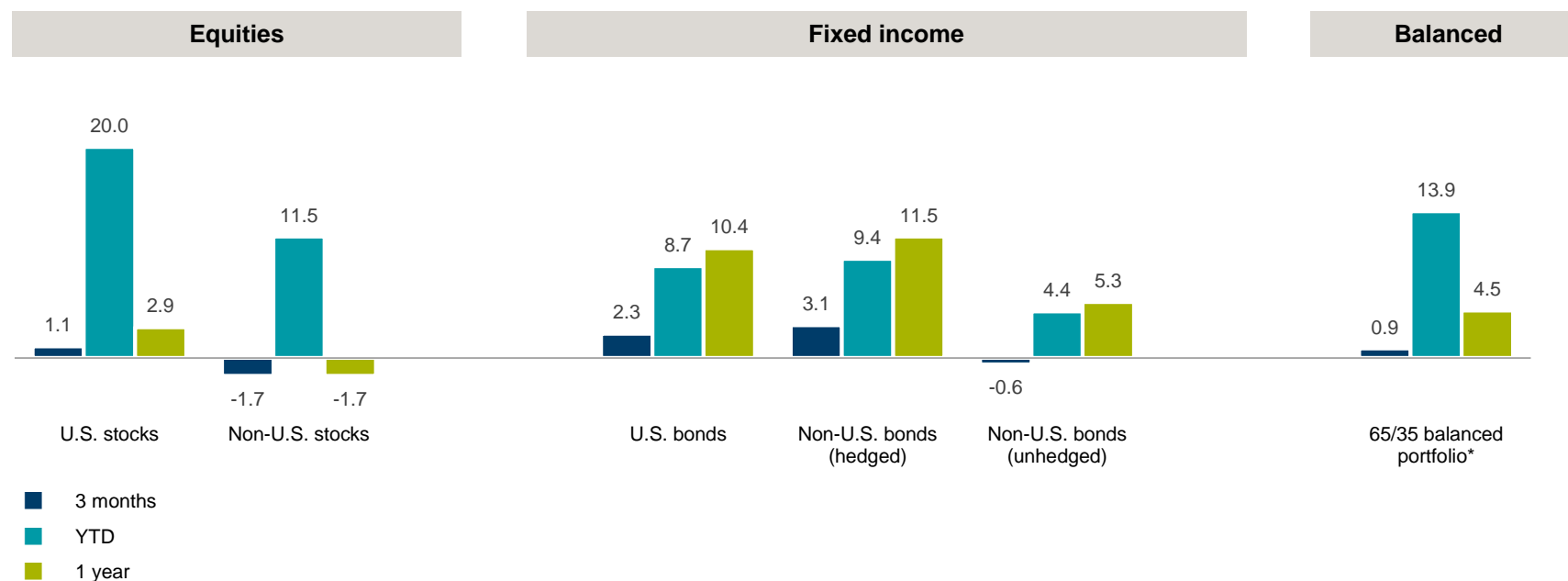
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Vanguard Institutional Advisory Services®

# Financial Market Review

## Global markets continue to deliver strong results in 2019

- Central bank easing has helped to maintain upward market momentum despite weaker economic data and ongoing uncertainty regarding trade relations
- Global equity returns were mixed for the third quarter, while fixed income returns were mainly positive for the quarter and remain strong year to date (YTD)
- Global equities lagged their U.S. counterparts

### Global market returns as of September 30, 2019 (%)



**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

Sources: Bloomberg Barclays, CRSP, and FTSE.

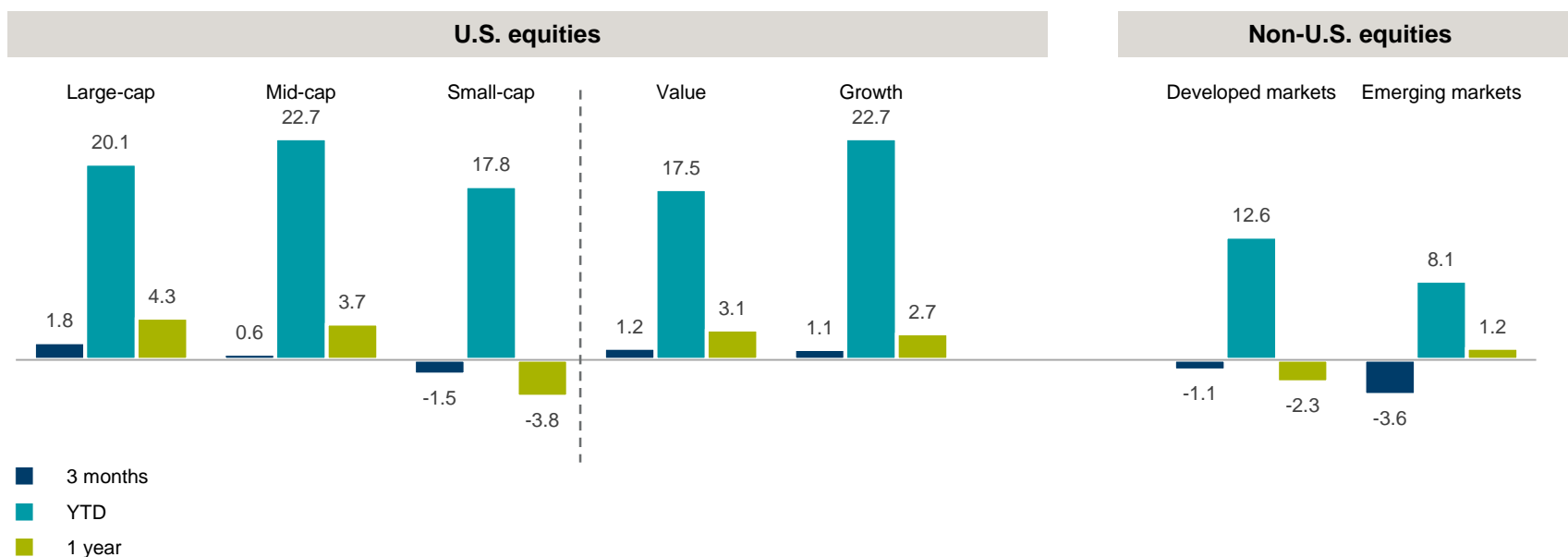
U.S. Stocks (CRSP U.S. Total Market Index), Non-U.S. Stocks (FTSE Global All-Cap ex-US Index), U.S. Bonds (Bloomberg Barclays U.S. Aggregate Float Adjusted Index), Non-U.S. Bonds hedged (Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index hedged), Non-U.S. Bonds unhedged (Bloomberg Barclays Global Aggregate Index ex USD).

\* 65/35 balanced portfolio Static Composite (39% U.S. stocks, 26% International stocks, and 24.5% Investment-grade U.S. bonds, 10.5% Investment-grade international bonds).

## Stocks across styles maintain their trend upward

- Large-, mid-, and small-cap U.S. stocks completed the third quarter with strong YTD results
- U.S. growth continued to outperform value stocks YTD, yet value has slightly led for the trailing 12 months, thus ending growth's dominance
- Non-U.S. stocks lagged domestic equities, with emerging markets trailing developed markets for the quarter

### Global equity market returns as of September 30, 2019 (%)



**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

Sources: CRSP, FTSE, and Russell.

Large-cap (CRSP U.S. Mega Cap Index), Mid-cap (CRSP U.S. Mid Cap Index), Small-cap (CRSP U.S. Small Cap Index); Value (Russell 3000 Value Index), Growth (Russell 3000 Growth Index); Developed markets (FTSE Developed All Cap ex-U.S. Index), Emerging markets (FTSE Emerging Markets All Cap China A Inclusion Index).

## U.S. sector performance—Solid results with more balance across styles

- Defensive sectors such as utilities, real estate, and consumer staples have had strong 12-month performance as economic concerns mount
- Wide divergence in 12-month returns between the top and bottom sectors, as well as general rotation in market leadership away from growth and toward value, illustrates the benefit of diversification
- The energy sector has been the worst performer due to falling oil prices

### U.S. equity sector returns as of September 30, 2019 (%)



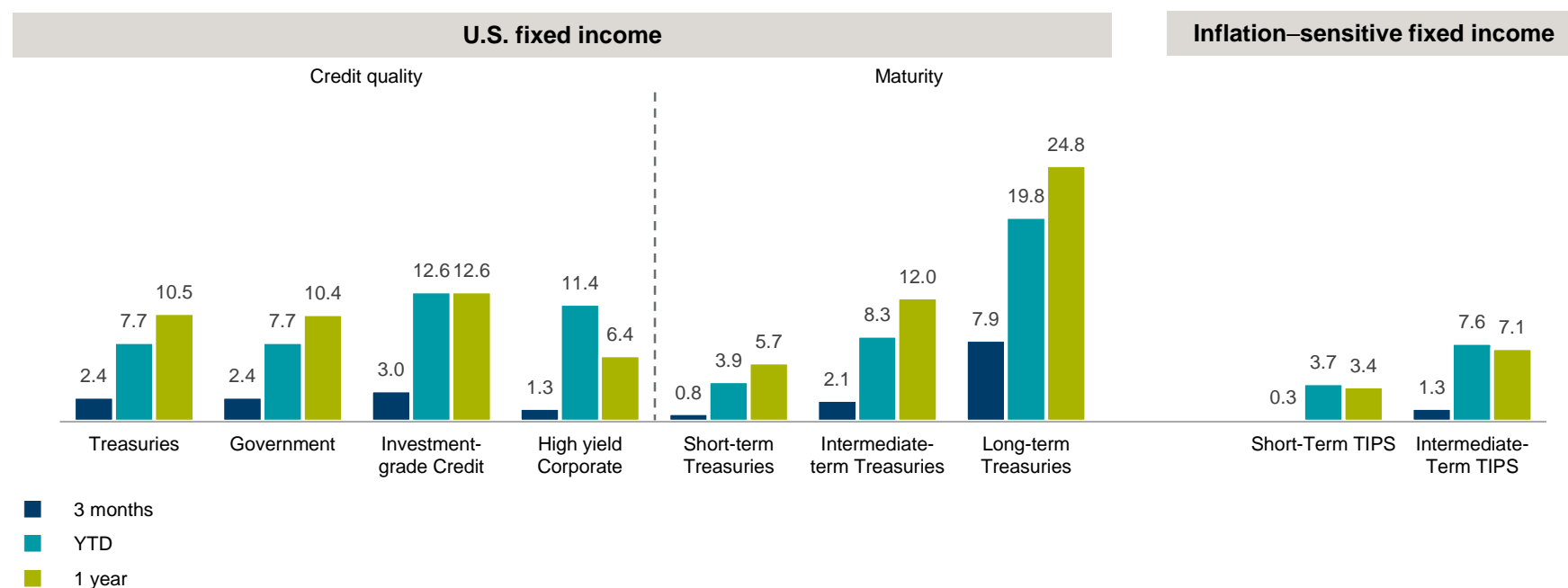
**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

Source: FactSet.  
U.S. markets measured by CRSP U.S. Total Market Index. Past performance is no guarantee of future returns.

## Bonds extend positive results amid tame inflation

- Bond performance remains strong as interest rates fell across the yield curve and the bond market began to price in rate cuts from central banks
- Credit spreads have narrowed, bolstering investment-grade credit performance
- Long-term Treasuries have had strong performance given muted economic growth and inflation expectations

### Domestic fixed income market returns as of September 30, 2019 (%)



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Sources: Bloomberg Barclays.

Treasuries-Government-Investment Grade Credit-High Yield (Bloomberg Barclays U.S. Treasury/Government/Credit/Corporate High Yield Indices); Short-Inter-Long-term Treasuries (Bloomberg Barclays U.S. 1-5/5-10/Long Treasury Indices); Short-term TIPS (Bloomberg Barclays U.S. Treasury 0-5 Year Inflation Protected Index), Intermediate-Term TIPS (Bloomberg Barclays U.S. Treasury Inflation Protected Index).

# Market leadership changes

- Emerging markets equities appeared at both the top and bottom multiple times, demonstrating the relatively high volatility level of single-asset classes
- The balanced portfolio generally falls near the middle, demonstrating the volatility dampening effect of high-grade fixed income

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Average
<b>Emg</b>	85.2	28.5	8.7	18.1	38.8	30.4	5.1	21.3	31.1	3.2	15.2
<b>HY</b>	58.2	26.9	7.8	17.8	34.2	13.2	2.5	18.4	29.6	1.9	13.3
<b>Grw</b>	37.0	19.8	5.0	17.5	33.1	12.7	1.4	17.1	26.3	0.0	12.2
<b>Dev</b>	36.7	17.6	3.9	17.4	32.7	12.4	0.9	12.1	21.7	-2.1	12.0
<b>REIT</b>	28.6	16.7	2.2	16.4	20.5	8.8	0.5	11.4	16.5	-2.1	11.1
<b>Lrg</b>	28.4	16.2	1.5	16.4	16.8	6.4	0.0	10.3	14.6	-4.6	11.1
<b>Sml</b>	27.2	16.1	0.1	15.8	7.4	6.0	-0.6	8.6	13.2	-4.8	8.6
<b>Bal</b>	24.7	15.1	-0.1	15.2	6.7	4.9	-1.8	7.4	7.5	-5.5	8.3
<b>Val</b>	19.8	12.1	-0.9	12.7	2.5	2.6	-3.6	7.3	6.0	-6.7	6.9
<b>Cmd</b>	18.7	11.2	-4.2	6.5	1.2	2.5	-4.1	4.9	5.1	-8.6	4.0
<b>HF</b>	13.4	6.5	-8.9	4.2	0.1	0.0	-4.4	3.1	3.5	-11.0	3.5
<b>Bnd</b>	5.9	5.2	-12.7	3.5	-2.0	-0.6	-4.5	2.6	2.5	-13.0	1.5
<b>IB</b>	4.4	3.3	-13.4	0.1	-3.2	-4.4	-13.5	2.5	0.8	-14.8	0.4
<b>T-Bill</b>	0.2	0.1	-20.0	-1.1	-9.6	-17.0	-24.7	0.3	0.7	-14.8	-4.2

<b>Val</b>	Value oriented U.S.-based stocks (Russell 3000 Value Index)
<b>Grw</b>	Growth oriented U.S.-based stocks (Russell 3000 Growth Index)
<b>Lrg</b>	Large U.S.-based stocks (Russell 1000 Index)
<b>Sml</b>	Small U.S.-based stocks (Russell 2000 Index)
<b>Dev</b>	International stocks from developed countries (FTSE Developed All Cap ex U.S. Index)
<b>Emg</b>	International stocks from emerging countries (FTSE Emerging ACap CN A Includ Idx)
<b>Bnd</b>	Investment-grade U.S. bonds (BloomBarc U.S. Aggregate Bond Index)
<b>HY</b>	High-yield U.S. bonds (BloomBarc U.S. Corp High Yield Index)
<b>IB</b>	Investment-grade international bonds (BloomBarc GA ex-U.S.D Index Hedged)
<b>T-Bill</b>	Short-term Treasury rates (Citigroup 3-Month U.S. T-Bill Index)
<b>REIT</b>	U.S. public equity real estate (REIT) (MSCI U.S. REIT Index)
<b>Cmd</b>	Commodities (Bloomberg Commodity Index)
<b>HF</b>	Hedge funds (HFRX Global Hedge Fund Index*)
<b>Bal</b>	Balanced Static Composite (39% U.S. stocks**, 26% Int'l stocks†, 24.5% Invest-grade U.S. bonds††, 10.5% Invest-grade Int'l bonds††)

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Source: Vanguard. Last observation: December 31, 2018; 10-year average performance from December 31, 2009 through December 31, 2018.

\* Source: Hedge Fund Research, Inc.

\*\* U.S. stocks: MSCI U.S. Broad Market Index.

† International stocks: FTSE Global All Cap ex-U.S. Index.

†† Bonds: BloomBarc U.S. Aggregate Bond Index and BloomBarc GA ex-U.S.D Index Hedged.



## Market Performance as of September 30, 2019

Name	Sep-19	Last 3 Months	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
US Equity							
CRSP US Total Market TR USD	1.7	1.1	20.0	2.9	12.8	10.4	13.1
S&P 500	1.9	1.7	20.6	4.3	13.4	10.8	13.2
S&P 400 MidCap	3.1	-0.1	17.9	-2.5	9.4	8.9	12.6
S&P 600 SmallCap	3.3	-0.2	13.5	-9.3	9.3	9.9	13.0
International Equity							
MSCI Emerging Markets	1.9	-4.2	5.9	-2.0	6.0	2.3	3.4
MSCI Emerging Markets NR LCL	2.6	-1.0	17.1	8.4	10.7	7.3	6.8
MSCI EAFE	2.9	-1.1	12.8	-1.3	6.5	3.3	4.9
MSCI EAFE NR LCL	3.5	1.8	15.7	1.6	8.3	6.0	7.0
MSCI ACWI ex USA	2.6	-1.8	11.6	-1.2	6.3	2.9	4.5
Fixed Income Domestic							
BBgBarc US Aggregate TR	-0.5	2.3	8.5	10.3	2.9	3.4	3.7
BBgBarc US Corporate 1-5 Years TR	0.0	1.2	6.0	6.8	2.9	2.8	3.4
BBgBarc US Credit/Corp 5-10 Yr TR	-0.5	2.4	12.8	13.2	4.3	4.8	6.0
BBgBarc US Corporate Long TR	-1.4	5.6	22.3	20.1	6.5	6.9	7.8
BBgBarc US Govt/Credit Long TR	-1.9	6.6	20.9	21.9	5.6	6.8	7.4
BBgBarc US Treasury Strips 20-30 Yr Equal Parity TR	-3.5	11.6	27.6	33.4	5.0	9.1	9.2
BBgBarc US High Yield TR	0.4	1.3	11.4	6.4	6.1	5.4	7.9
BBgBarc US Govt TR	-0.8	2.4	7.7	10.4	2.3	2.9	3.0
BBgBarc US Credit TR	-0.7	3.0	12.6	12.6	4.3	4.5	5.3
BBgBarc US Treasury 1-5 Yr TR	-0.3	0.8	3.9	5.7	1.6	1.7	1.7
BBgBarc US Treasury 5-10 Yr TR	-0.9	2.1	8.3	12.0	2.2	3.4	3.9
BBgBarc US Treasury Long TR	-2.5	7.9	19.8	24.8	4.1	6.8	6.9
BBgBarc US Treasury TIPS 0-5 Yr TR	-0.2	0.3	3.7	3.4	1.6	1.3	1.7
BBgBarc US TIPS TR	-1.4	1.3	7.6	7.1	2.2	2.4	3.5
Fixed Income International							
BBgBarc Global Aggregate ex US Tres Hedged TR	-0.4	2.8	8.8	10.8	4.1	4.6	4.4
BBgBarc Emerging Markets TR	0.0	1.3	10.8	10.6	4.4	5.0	6.7
REIT							
MSCI US REIT Gross	2.7	7.5	26.6	18.1	7.2	10.1	13.0

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## Important information

**IMPORTANT: The projections or other information generated by the Vanguard Capital Markets Model® (VCMM) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. VCMM results will vary with each use and over time.**

The VCMM projections are based on a statistical analysis of historical data. Future returns may behave differently from the historical patterns captured in the VCMM. More importantly, the VCMM may be underestimating extreme negative scenarios unobserved in the historical period on which the model estimation is based.

The Vanguard Capital Markets Model® is a proprietary financial simulation tool developed and maintained by Vanguard's primary investment research and advice teams. The model forecasts distributions of future returns for a wide array of broad asset classes. Those asset classes include U.S. and international equity markets, several maturities of the U.S. Treasury and corporate fixed income markets, international fixed income markets, U.S. money markets, commodities, and certain alternative investment strategies. The theoretical and empirical foundation for the Vanguard Capital Markets Model is that the returns of various asset classes reflect the compensation investors require for bearing different types of systematic risk (beta). At the core of the model are estimates of the dynamic statistical relationship between risk factors and asset returns, obtained from statistical analysis based on available monthly financial and economic data from as early as 1960. Using a system of estimated equations, the model then applies a Monte Carlo simulation method to project the estimated interrelationships among risk factors and asset classes as well as uncertainty and randomness over time. The model generates a large set of simulated outcomes for each asset class over several time horizons. Forecasts are obtained by computing measures of central tendency in these simulations. Results produced by the tool will vary with each use and over time.

The Vanguard Lifecycle Model (VLCM) is designed to identify the product design that represents the best investment solution for a theoretical, representative investor who uses the target-date funds to accumulate wealth for retirement. The VLCM generates an optimal custom glide path for a participant population by assessing the trade-offs between the expected (median) wealth accumulation and the uncertainty about that wealth outcome, for thousands of potential glide paths. The VLCM does this by combining two set of inputs: the asset class return projections from the VCMM and the average characteristics of the participant population. Along with the optimal custom glide path, the VLCM generates a wide range of portfolio metrics such as a distribution of potential wealth accumulation outcomes, risk and return distributions for the asset allocation, and probability of ruin, such as the odds of participants depleting their wealth by age 95.

The VLCM inherits the distributional forecasting framework of the VCMM and applies to it the calculation of wealth outcomes from any given portfolio.

The most impactful drivers of glide path changes within the VLCM tend to be risk aversion, the presence of a defined benefit plan, retirement age, savings rate and starting compensation. The VLCM chooses among glide paths by scoring them according to the utility function described and choosing the one with the highest score. The VLCM does not optimize the levels of spending and contribution rates. Rather, the VLCM optimizes the glide path for a given customizable level of spending, growth rate of contributions and other plan sponsor characteristics.

A full dynamic stochastic life-cycle model, including optimization of a savings strategy and dynamic spending in retirement is beyond the scope of this framework.

# Portfolio Performance

PREPARED FOR

# EPISCOPAL FOUNDATION OF DALLAS

Monthly Performance Report

Period Ending September 30, 2019

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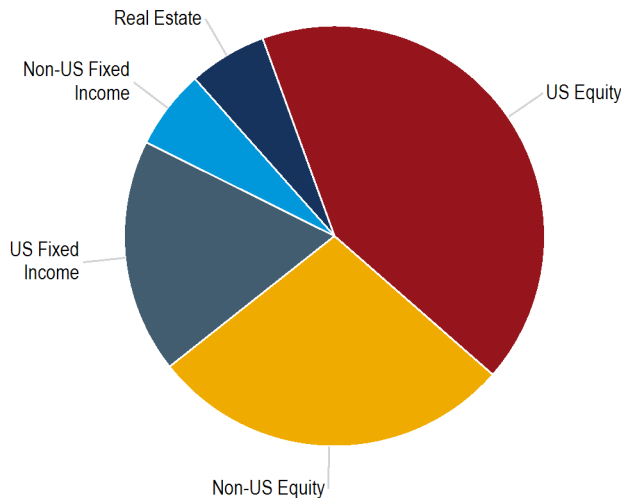
## Total Portfolio Performance & Asset Allocation

Performance Summary ending September 30, 2019

	Market Value (\$)	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>EPISCOPAL FOUNDATION OF DALLAS</b>	<b>37,345,696</b>	<b>1.63</b>	<b>0.96</b>	<b>14.67</b>	<b>3.36</b>	<b>8.54</b>	--	--	<b>7.10</b>	<b>Jun-15</b>
<b>EPISCOPAL FOUNDATION OF DALLAS (Net)</b>		<b>1.63</b>	<b>0.94</b>	<b>14.57</b>	<b>3.25</b>	<b>8.42</b>	--	--	<b>6.99</b>	
Composite Benchmark		1.43	1.07	15.55	4.75	8.50	--	--	7.18	Jun-15

- Composite Benchmark = 6% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged / 6% Real Estate Spliced Index / 18% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 28% Spliced Total International Stock Index / 42% Spliced Total Stock Market Index

Current Allocation as of September 30, 2019



	Current \$	Current %	Policy	Difference*
US Equity	\$15,699,532	42.0%	42.0%	0.0%
Non-US Equity	\$10,412,903	27.9%	28.0%	-0.1%
US Fixed Income	\$6,716,305	18.0%	18.0%	0.0%
Non-US Fixed Income	\$2,266,056	6.1%	6.0%	0.1%
Real Estate	\$2,250,899	6.0%	6.0%	0.0%
<b>Total</b>	<b>\$37,345,696</b>	<b>100.0%</b>	<b>100.0%</b>	

\*Difference between Policy and Current Allocation

Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any purchase or redemption fees.

Net of Fee returns reflect the deduction of fund expense ratios, any purchase or redemption fees, and VIAS advisory fee applied to the client portfolio.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

**Episcopal Foundation of Dallas - Aggregated Performance Summary**

*as-of September 30, 2019*

	Market Value*	Portfolio Allocation	Three-Month	Year-to-Date	One-Year	Three-Year	Five-Year	Since Inception
Vanguard	\$37,345,696	100.00%	0.94%	14.57%	3.25%	8.42%	-	6.99%
<b>Vanguard Composite Benchmark</b>			1.07%	15.55%	4.75%	8.50%	-	7.18%
<b>Aggregate Portfolio (net of EFD fee)*</b>	<b>\$37,345,696</b>	<b>100.00%</b>	<b>0.83%</b>	<b>14.16%</b>	<b>2.74%</b>	<b>7.85%</b>	<b>6.87%</b>	<b>7.79%</b>
<b>Aggregate Composite Benchmark*</b>			<b>1.07%</b>	<b>15.55%</b>	<b>4.75%</b>	<b>8.49%</b>	<b>7.37%</b>	<b>8.83%</b>

*Notes: All historical return data provided by client. All returns are net of fund-level fees and the Vanguard advisory fee. Aggregate portfolio returns are net of the EFD administrative fee. Vanguard Composite provides a comparison for Vanguard portfolio return and constitutes 42% Spliced Total Stock Market Index/28% Spliced Total International Stock Index/18% Spliced Barclays U.S. Agg Flt-Adj. Index/6% Barclays GA ex-USD Flt-Adj. RIC Capped Index Hedged/6% REIT Spliced Index and has been calculated as-of September 30, 2019. Performance effective date for Vanguard Composite as-of September 30, 2015. Aggregate Composite provides a comparison for Episcopal Foundation of Dallas portfolio and constitutes a weighted average of the Vanguard Composite and HFRI Fund of Funds Composite. Since inception date is January 1, 2010.*

**\*Aggregate portfolio performance and Aggregate composite performance include hedge fund and HFRI performance, respectively, through February 29, 2016 for the Three-, Five-Year and Since Inception time periods.**



## Performance Summary (Gross of Advisory Fees) ending September 30, 2019

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>EPISCOPAL FOUNDATION OF DALLAS</b>	<b>37,345,696</b>	<b>100.00</b>	<b>1.63</b>	<b>0.96</b>	<b>14.67</b>	<b>3.36</b>	<b>8.54</b>	--	--	<b>7.10</b>	<b>Jun-15</b>
<b>EPISCOPAL FOUNDATION OF DALLAS (Net)</b>			<b>1.63</b>	<b>0.94</b>	<b>14.57</b>	<b>3.25</b>	<b>8.42</b>	--	--	<b>6.99</b>	
Composite Benchmark			1.43	1.07	15.55	4.75	8.50	--	--	7.18	Jun-15
<b>Total Equity</b>	<b>26,112,436</b>	<b>69.92</b>	<b>2.34</b>	<b>-0.01</b>	<b>15.66</b>	<b>-0.21</b>	<b>10.30</b>	--	--	<b>7.74</b>	<b>Jun-15</b>
<b>Equity Domestic</b>	<b>15,699,532</b>	<b>42.04</b>	<b>2.18</b>	<b>1.22</b>	<b>18.02</b>	<b>0.92</b>	<b>12.34</b>	--	--	<b>9.99</b>	<b>Jun-15</b>
Spliced Total Stock Market Index			1.72	1.11	20.03	2.92	12.82	10.43	13.11	10.55	Jun-15
<b>Equity International</b>	<b>10,412,903</b>	<b>27.88</b>	<b>2.59</b>	<b>-1.87</b>	<b>12.13</b>	<b>-1.90</b>	<b>7.17</b>	--	--	<b>4.34</b>	<b>Jun-15</b>
Spliced Total International Stock Index			2.57	-1.65	11.48	-1.66	6.19	3.19	4.57	3.54	Jun-15
<b>Total Fixed Income</b>	<b>8,982,361</b>	<b>24.05</b>	<b>-0.48</b>	<b>2.25</b>	<b>8.53</b>	<b>9.95</b>	<b>3.31</b>	--	--	<b>3.93</b>	<b>Jun-15</b>
<b>Fixed Income Domestic</b>	<b>6,716,305</b>	<b>17.98</b>	<b>-0.48</b>	<b>2.01</b>	<b>8.29</b>	<b>9.52</b>	<b>3.05</b>	--	--	<b>3.59</b>	<b>Jun-15</b>
Spliced Bloomberg Barclays US Aggregate Float Adjusted Index			-0.58	2.33	8.72	10.44	2.96	3.40	3.78	3.62	Jun-15
<b>Fixed Income International</b>	<b>2,266,056</b>	<b>6.07</b>	<b>-0.47</b>	<b>2.98</b>	<b>9.28</b>	<b>11.28</b>	<b>4.08</b>	--	--	<b>4.94</b>	<b>Jun-15</b>
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged			-0.43	3.05	9.43	11.48	4.31	4.78	--	5.20	Jun-15
<b>Total Real Estate</b>	<b>2,250,899</b>	<b>6.03</b>	<b>1.88</b>	<b>7.40</b>	<b>28.14</b>	<b>19.89</b>	<b>7.06</b>	--	--	<b>9.98</b>	<b>Jun-15</b>
<b>Real Estate Domestic</b>	<b>2,250,899</b>	<b>6.03</b>	<b>1.88</b>	<b>7.40</b>	<b>28.14</b>	<b>19.89</b>	<b>7.06</b>	--	--	<b>9.98</b>	<b>Jun-15</b>
Real Estate Spliced Index			1.89	7.43	28.20	19.94	7.15	10.05	12.97	10.09	Jun-15

Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any purchase or redemption fees.

Net of Fee returns reflect the deduction of fund expense ratios, any purchase or redemption fees, and VIAS advisory fee applied to the client portfolio.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

## Performance Summary (Gross of Advisory Fees) ending September 30, 2019

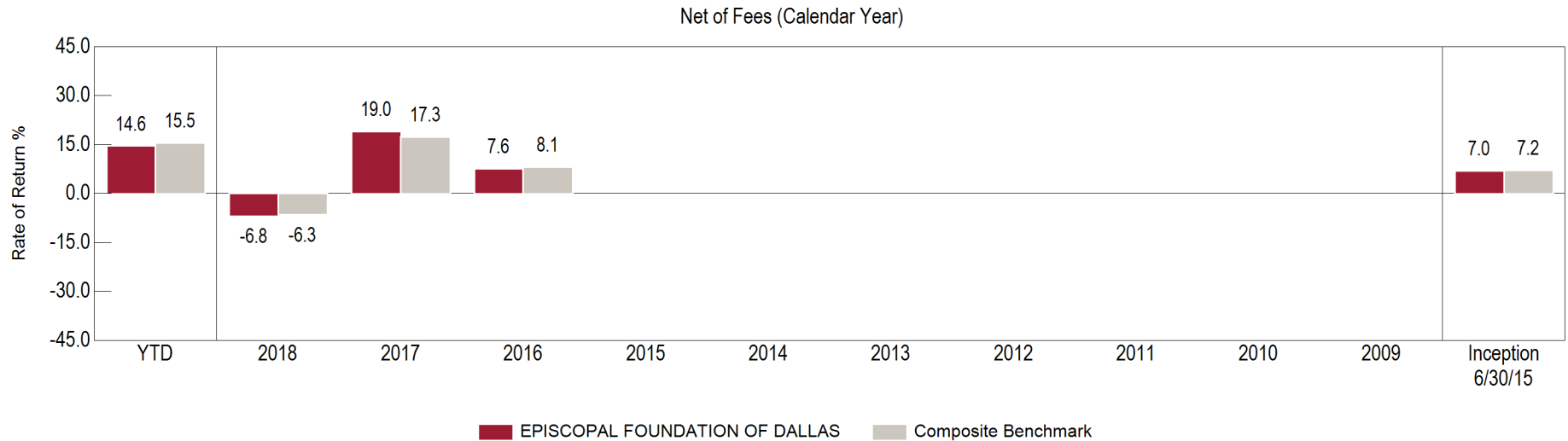
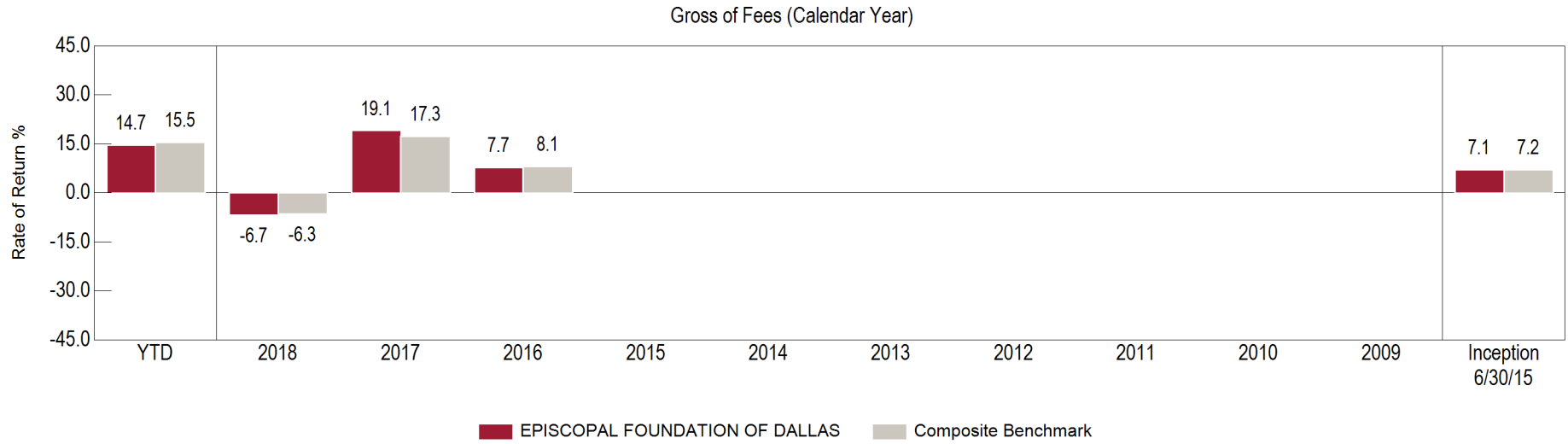
	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>EPISCOPAL FOUNDATION OF DALLAS</b>	<b>37,345,696</b>	<b>100.00</b>	<b>1.63</b>	<b>0.96</b>	<b>14.67</b>	<b>3.36</b>	<b>8.54</b>	--	--	<b>7.10</b>	<b>Jun-15</b>
Composite Benchmark			1.43	1.07	15.55	4.75	8.50	--	--	7.18	Jun-15
<b>Total Equity</b>	<b>26,112,436</b>	<b>69.92</b>	<b>2.34</b>	<b>-0.01</b>	<b>15.66</b>	<b>-0.21</b>	<b>10.30</b>	--	--	<b>7.74</b>	<b>Jun-15</b>
<b>Equity Domestic</b>	<b>15,699,532</b>	<b>42.04</b>	<b>2.18</b>	<b>1.22</b>	<b>18.02</b>	<b>0.92</b>	<b>12.34</b>	--	--	<b>9.99</b>	<b>Jun-15</b>
Spliced Total Stock Market Index			1.72	1.11	20.03	2.92	12.82	10.43	13.11	10.55	Jun-15
Vanguard® Total Stock Market Index Fund Institutional Shares	7,858,998	21.04	1.70	1.09	20.00	2.89	12.81	10.42	13.10	10.54	Jun-15
Spliced Total Stock Market Index			1.72	1.11	20.03	2.92	12.82	10.43	13.11	10.55	Jun-15
Multi-Cap Core Funds Average			1.61	0.83	18.26	1.21	10.39	7.82	10.66	7.73	Jun-15
Vanguard® Windsor™ Fund Admiral™ Shares	3,928,198	10.52	3.95	1.91	17.96	0.23	9.51	7.00	11.20	6.50	Jun-15
Russell 1000 Value			3.57	1.36	17.81	4.00	9.43	7.79	11.46	8.14	Jun-15
Multi-Cap Value Funds Average			3.78	0.54	16.10	-0.62	8.32	6.39	9.95	6.42	Jun-15
Vanguard® PRIMECAP Fund Admiral™ Shares	3,912,337	10.48	1.39	0.80	14.11	-2.34	14.14	11.65	14.32	12.28	Jun-15
Russell 1000 Growth			0.01	1.49	23.30	3.71	16.89	13.39	14.94	13.62	Jun-15
Multi-Cap Growth Funds Average			-1.21	-1.42	20.86	1.29	14.12	10.42	12.35	10.01	Jun-15
<b>Equity International</b>	<b>10,412,903</b>	<b>27.88</b>	<b>2.59</b>	<b>-1.87</b>	<b>12.13</b>	<b>-1.90</b>	<b>7.17</b>	--	--	<b>4.34</b>	<b>Jun-15</b>
Spliced Total International Stock Index			2.57	-1.65	11.48	-1.66	6.19	3.19	4.57	3.54	Jun-15
Vanguard® Total International Stock Index Fund Inst Shares	5,231,678	14.01	2.69	-1.61	11.47	-1.53	6.09	3.17	4.55	3.50	Jun-15
Spliced Total International Stock Index			2.57	-1.65	11.48	-1.66	6.19	3.19	4.57	3.54	Jun-15
International Funds Average			2.30	-1.41	12.83	-2.36	5.51	2.97	4.64	2.93	Jun-15
Vanguard® International Value Fund	2,622,390	7.02	3.77	-1.25	10.69	-2.60	6.18	2.22	4.22	2.75	Jun-15
Spliced International Index			2.57	-1.80	11.56	-1.23	6.33	2.90	4.01	3.42	Jun-15
International Funds Average			2.30	-1.41	12.83	-2.36	5.51	2.97	4.64	2.93	Jun-15
Vanguard® International Growth Fund Admiral™ Shares	2,558,835	6.85	1.21	-3.02	15.05	-1.93	10.34	7.20	7.84	7.62	Jun-15
Spliced International Index			2.57	-1.80	11.56	-1.23	6.33	2.90	4.01	3.42	Jun-15
International Funds Average			2.30	-1.41	12.83	-2.36	5.51	2.97	4.64	2.93	Jun-15



Performance Summary (Gross of Advisory Fees) ending September 30, 2019

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Fixed Income</b>	<b>8,982,361</b>	<b>24.05</b>	<b>-0.48</b>	<b>2.25</b>	<b>8.53</b>	<b>9.95</b>	<b>3.31</b>	--	--	<b>3.93</b>	<b>Jun-15</b>
<b>Fixed Income Domestic</b>	<b>6,716,305</b>	<b>17.98</b>	<b>-0.48</b>	<b>2.01</b>	<b>8.29</b>	<b>9.52</b>	<b>3.05</b>	--	--	<b>3.59</b>	<b>Jun-15</b>
Spliced Bloomberg Barclays US Aggregate Float Adjusted Index			-0.58	2.33	8.72	10.44	2.96	3.40	3.78	3.62	Jun-15
Vanguard® Total Bond Market Index Fund Admiral™ Shares	3,369,915	9.02	-0.59	2.43	8.68	10.43	2.90	3.35	3.69	3.57	Jun-15
Spliced Bloomberg Barclays US Aggregate Float Adjusted Index			-0.58	2.33	8.72	10.44	2.96	3.40	3.78	3.62	Jun-15
Spliced Intermediate-Term Investment-Grade Debt Funds Average			-0.50	2.07	8.47	9.44	2.77	3.05	3.89	3.31	Jun-15
Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares	2,248,282	6.02	-0.54	1.89	9.78	11.01	3.40	4.04	5.19	4.28	Jun-15
BBgBarc US Credit 5-10 Yr TR			-0.53	2.48	12.57	13.12	4.21	4.70	5.85	5.05	Jun-15
Spliced Core Bond Funds Average			-0.50	2.07	8.47	9.44	2.77	3.05	3.89	3.31	Jun-15
Vanguard® Short-Term Investment-Grade Fund Adm™ Shares	1,098,108	2.94	-0.05	0.99	5.18	5.88	2.46	2.48	2.83	2.64	Jun-15
BBgBarc US Credit 1-5 Yr TR			-0.02	1.14	5.69	6.67	2.72	2.61	3.13	2.75	Jun-15
1-5 Year Investment-Grade Debt Funds Average			-0.02	0.74	4.09	4.60	2.05	1.81	2.20	1.97	Jun-15
<b>Fixed Income International</b>	<b>2,266,056</b>	<b>6.07</b>	<b>-0.47</b>	<b>2.98</b>	<b>9.28</b>	<b>11.28</b>	<b>4.08</b>	--	--	<b>4.94</b>	<b>Jun-15</b>
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged			-0.43	3.05	9.43	11.48	4.31	4.78	--	5.20	Jun-15
Vanguard® Total International Bond Index Fund Adm™ Shares	2,266,056	6.07	-0.47	2.98	9.28	11.28	4.08	4.53	--	4.95	Jun-15
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged			-0.43	3.05	9.43	11.48	4.31	4.78	--	5.20	Jun-15
International Income Funds Average			-0.31	-0.34	5.31	5.88	2.01	1.48	2.22	2.89	Jun-15
<b>Total Real Estate</b>	<b>2,250,899</b>	<b>6.03</b>	<b>1.88</b>	<b>7.40</b>	<b>28.14</b>	<b>19.89</b>	<b>7.06</b>	--	--	<b>9.98</b>	<b>Jun-15</b>
<b>Real Estate Domestic</b>	<b>2,250,899</b>	<b>6.03</b>	<b>1.88</b>	<b>7.40</b>	<b>28.14</b>	<b>19.89</b>	<b>7.06</b>	--	--	<b>9.98</b>	<b>Jun-15</b>
Real Estate Spliced Index			1.89	7.43	28.20	19.94	7.15	10.05	12.97	10.09	Jun-15
Vanguard® Real Estate Index Fund Admiral™ Shares	2,250,899	6.03	1.88	7.40	28.14	19.89	7.06	9.94	12.89	9.98	Jun-15
Real Estate Spliced Index			1.89	7.43	28.20	19.94	7.15	10.05	12.97	10.09	Jun-15
Real Estate Funds Average			1.99	6.89	26.09	17.18	6.84	9.06	12.03	8.95	Jun-15

## Total Portfolio Performance



Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any purchase or redemption fees.

Net of Fee returns reflect the deduction of fund expense ratios, any purchase or redemption fees, and VIAS advisory fee applied to the client portfolio.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

## Cash Flow Summary

	Last Month	Last Three Months	Year-To-Date	One Year
Beginning Market Value	\$37,124,073	\$37,777,604	\$34,586,939	\$38,995,584
Net Cash Flow	-\$381,698	-\$797,344	-\$2,250,003	-\$2,825,597
Capital Appreciation	\$500,100	\$225,863	\$4,531,412	\$283,255
Income	\$103,220	\$139,573	\$477,348	\$892,453
Ending Market Value	\$37,345,696	\$37,345,696	\$37,345,696	\$37,345,696

### Month Ending September 30, 2019

	Beginning Market Value	Net Cash Flow	Capital Appreciation	Income	Ending Market Value
Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares	\$2,260,457	\$0	-\$17,834	\$5,659	\$2,248,282
Vanguard® International Growth Fund Admiral™ Shares	\$2,528,232	\$0	\$30,603	\$0	\$2,558,835
Vanguard® International Value Fund	\$2,527,178	\$0	\$95,212	\$0	\$2,622,390
Vanguard® PRIMECAP Fund Admiral™ Shares	\$3,886,170	-\$27,717	\$53,884	\$0	\$3,912,337
Vanguard® Real Estate Index Fund Admiral™ Shares	\$2,340,735	-\$133,593	\$24,901	\$18,855	\$2,250,899
Vanguard® Short-Term Investment-Grade Fund Adm™ Shares	\$1,098,603	\$0	-\$3,060	\$2,565	\$1,098,108
Vanguard® Total Bond Market Index Fund Admiral™ Shares	\$3,389,855	\$0	-\$27,216	\$7,276	\$3,369,915
Vanguard® Total International Bond Index Fund Adm™ Shares	\$2,276,663	\$0	-\$12,525	\$1,917	\$2,266,056
Vanguard® Total International Stock Index Fund Inst Shares	\$5,094,680	\$0	\$106,825	\$30,173	\$5,231,678
Vanguard® Total Stock Market Index Fund Institutional Shares	\$7,835,095	-\$109,020	\$96,149	\$36,775	\$7,858,998
Vanguard® Windsor™ Fund Admiral™ Shares	\$3,886,405	-\$111,368	\$153,161	\$0	\$3,928,198
<b>Total</b>	<b>\$37,124,073</b>	<b>-\$381,698</b>	<b>\$500,100</b>	<b>\$103,220</b>	<b>\$37,345,696</b>

## Benchmark History as of September 30, 2019

## EPISCOPAL FOUNDATION OF DALLAS

2/1/2018	Present	6% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged / 6% Real Estate Spliced Index / 18% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 28% Spliced Total International Stock Index / 42% Spliced Total Stock Market Index
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7/1/2015	1/31/2018	6% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged / 6% REIT Spliced Index / 18% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 28% Spliced Total International Stock Index / 42% Spliced Total Stock Market Index
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## Total Equity

N/A

## Equity Domestic

6/30/2015	Present	100% CRSP US Total Market TR USD
-----------	---------	----------------------------------

Vanguard® Total Stock Market Index Fund Institutional Shares

6/30/2015	Present	100% CRSP US Total Market TR USD
-----------	---------	----------------------------------

Vanguard® Windsor™ Fund Admiral™ Shares

6/30/2015	Present	Russell 1000 Value
-----------	---------	--------------------

Vanguard® PRIMECAP Fund Admiral™ Shares

6/30/2015	Present	Russell 1000 Growth
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## Equity International

6/30/2015	Present	100% FTSE Global All-Cap ex-US Index
-----------	---------	--------------------------------------

Vanguard® International Value Fund

6/30/2015	Present	100% MSCI ACWI ex USA
-----------	---------	-----------------------

Vanguard® International Growth Fund Admiral™ Shares

6/30/2015	Present	100% MSCI ACWI ex USA
-----------	---------	-----------------------

Vanguard® Total International Stock Index Fund Inst Shares

6/30/2015	Present	100% FTSE Global All-Cap ex-US Index
-----------	---------	--------------------------------------

## Total Fixed Income

N/A

## Fixed Income Domestic

## Benchmark History as of September 30, 2019

6/30/2015 Present 100% BBgBarc US Aggregate Float Adjusted TR

Vanguard® Short-Term Investment-Grade Fund Adm™ Shares

6/30/2015 Present BBgBarc US Credit 1-5 Yr TR

Vanguard® Total Bond Market Index Fund Admiral™ Shares

6/30/2015 Present 100% BBgBarc US Aggregate Float Adjusted TR

Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares

6/30/2015 Present BBgBarc US Credit 5-10 Yr TR

Fixed Income International

6/30/2015 Present Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged

Vanguard® Total International Bond Index Fund Adm™ Shares

6/30/2015 Present Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged

Total Real Estate

N/A

Real Estate Domestic

7/25/2018 Present 100% MSCI US IM Real Estate 25/50 Index

1/26/2018 7/24/2018 100% MSCI US IM Real Estate 25/50 Tran Index

6/30/2015 1/25/2018 100% MSCI US REIT Gross

Vanguard® Real Estate Index Fund Admiral™ Shares

7/25/2018 Present 100% MSCI US IM Real Estate 25/50 Index

1/26/2018 7/24/2018 100% MSCI US IM Real Estate 25/50 Tran Index

6/30/2015 1/25/2018 100% MSCI US REIT Gross

## Legal

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Total Portfolio returns represent client-specific time-weighted returns (TWR) are presented gross of any applicable service fees with the exception of mutual fund expense ratios and other security-level expenses.

Internal rates of return (IRR) are net of any applicable service fees, include account-specific cash flows, and are not directly comparable to a benchmark, since benchmarks do not include cash flows.

Client performance inception date is generally the first month-end after initial funding. Mutual funds and all investments are subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss.

Performance figures assume the reinvestment of dividends and capital gains distributions. The fund performance percentages are based on fund total return data, adjusted for expenses, obtained from Lipper, a Thomson Reuters Company. The total return data was not adjusted for fees and loads.

Benchmark comparative indexes represent unmanaged or average returns on various financial assets, which can be compared with funds' total returns for the purpose of measuring relative performance.

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# Fees and Expenses

# VIAS management fee structure

VIAS charges a management fee based on assets under management

## Annual fee schedule

Asset level	Management fee
First \$10 million	0.15%
Next \$10 million	0.12%
Next \$30 million	0.08%

## Total estimated expenses

Assets under management	Fee %	\$37,345,696
Management fee	0.109%	\$40,877
Fund expenses*	0.148%	\$55,272
Commingled funds/partnership expense	0.00%	\$0
Incentive fees	0.00%	\$0
Custodial fees	0.00%	\$0
Additional travel fees	0.00%	\$0
<b>Total all-in fee</b>	<b>0.257%</b>	<b>\$96,149</b>

\* These costs are estimated. Actual weighted annual expense ratio is determined by the actual funds chosen for the portfolio. Importantly, there are no sales commissions or 12b-1 fees for Vanguard funds. The cost of our investment management services (i.e., custodial fees, manager costs, trading costs) are reflected in the expense ratios of our funds and are deducted from each fund's earnings before they are distributed to shareholders. Vanguard is committed to maintaining operating expenses at the lowest possible level, without sacrificing premier quality service.

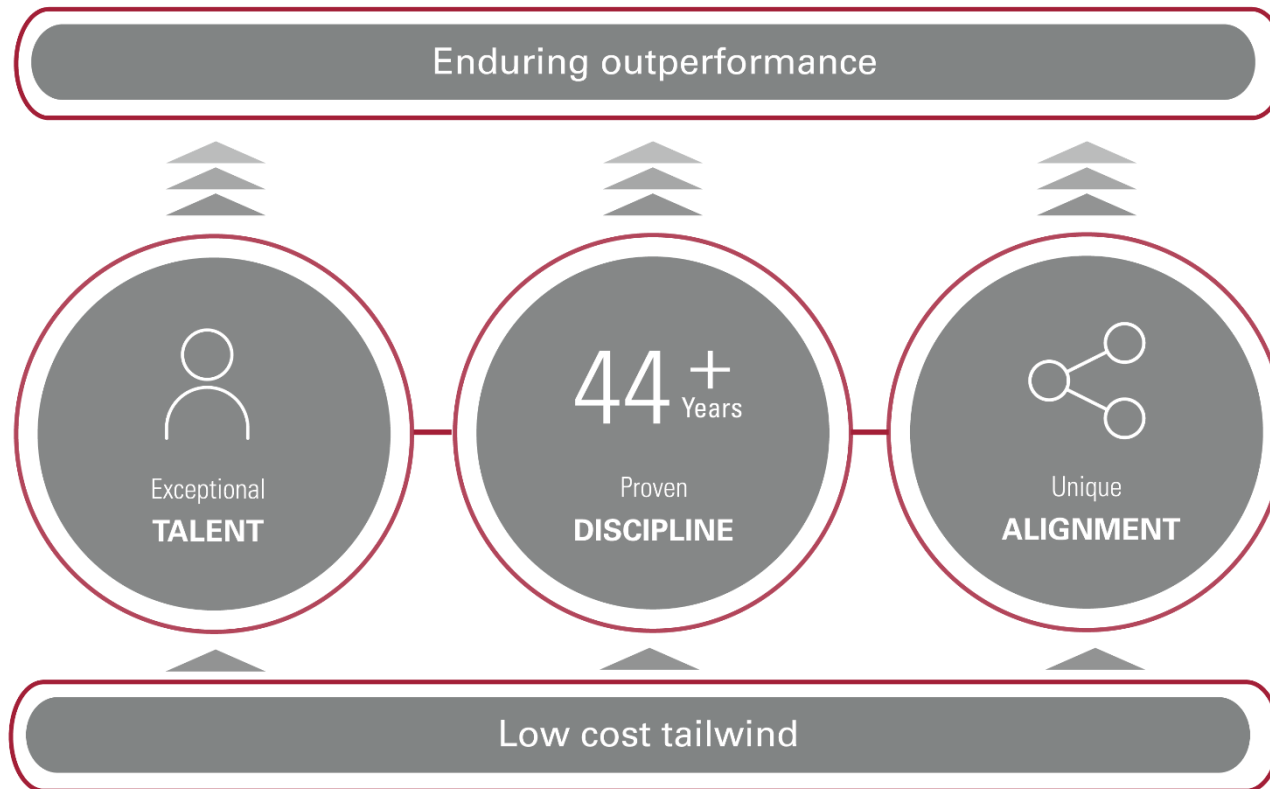


## Investment Expense Analysis as of September 30, 2019

Name	Market Value	% of Portfolio	Expense Ratio
<b>Total Equity</b>	<b>\$26,112,436</b>	<b>69.9%</b>	
<b>Equity Domestic</b>	<b>\$15,699,532</b>	<b>42.0%</b>	
Vanguard® Total Stock Market Index Fund Institutional Shares	\$7,858,998	21.0%	0.030%
Vanguard® Windsor™ Fund Admiral™ Shares	\$3,928,198	10.5%	0.210%
Vanguard® PRIMECAP Fund Admiral™ Shares	\$3,912,337	10.5%	0.310%
<b>Equity International</b>	<b>\$10,412,903</b>	<b>27.9%</b>	
Vanguard® International Value Fund	\$2,622,390	7.0%	0.380%
Vanguard® International Growth Fund Admiral™ Shares	\$2,558,835	6.9%	0.320%
Vanguard® Total International Stock Index Fund Inst Shares	\$5,231,678	14.0%	0.080%
<b>Total Fixed Income</b>	<b>\$8,982,361</b>	<b>24.1%</b>	
<b>Fixed Income Domestic</b>	<b>\$6,716,305</b>	<b>18.0%</b>	
Vanguard® Short-Term Investment-Grade Fund Adm™ Shares	\$1,098,108	2.9%	0.100%
Vanguard® Total Bond Market Index Fund Admiral™ Shares	\$3,369,915	9.0%	0.050%
Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares	\$2,248,282	6.0%	0.100%
<b>Fixed Income International</b>	<b>\$2,266,056</b>	<b>6.1%</b>	
Vanguard® Total International Bond Index Fund Adm™ Shares	\$2,266,056	6.1%	0.110%
<b>Total Real Estate</b>	<b>\$2,250,899</b>	<b>6.0%</b>	
<b>Real Estate Domestic</b>	<b>\$2,250,899</b>	<b>6.0%</b>	
Vanguard® Real Estate Index Fund Admiral™ Shares	\$2,250,899	6.0%	0.120%
<b>Total</b>	<b>\$37,345,696</b>	<b>100.0%</b>	<b>0.148%</b>

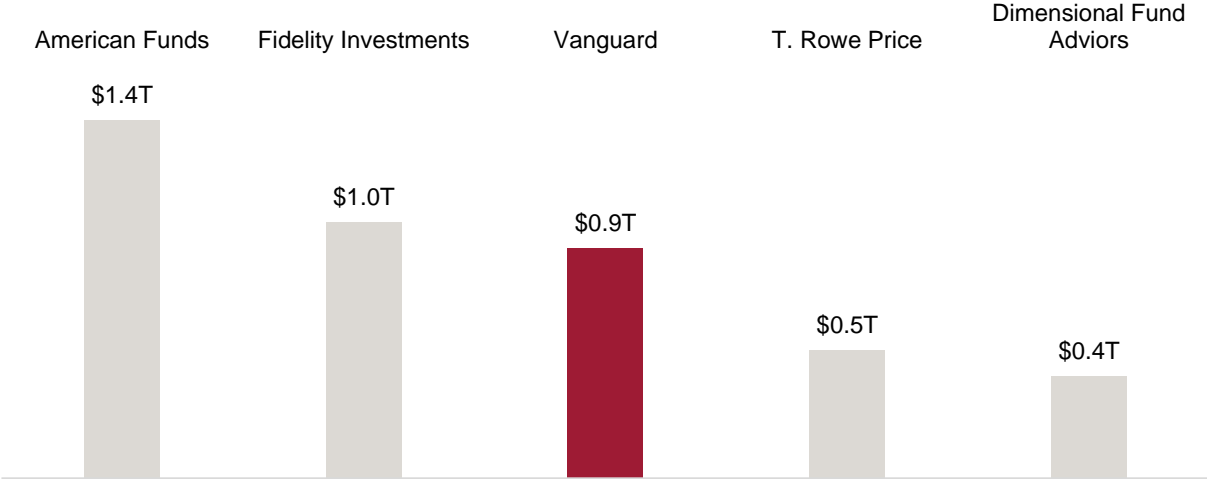
# Domestic Active Equity

## Seeking successful active management



# Our strong presence in active management

## Actively managed assets under management\*



\* Morningstar, Inc., as of December 31, 2018. Excludes money markets and fund of funds.

---

## We go to great lengths to identify and select talented external managers

200

Meetings Vanguard conducts with prospective external managers each year

22

Team members on Vanguard's oversight and manager search team

### Sourcing of talented managers

#### **New ideas:**

Identified through our continual work of meeting with prospective subadvisors

#### **Spinouts:**

Key managers and/or teams who leave firms to join or start a new firm

#### **Extensions of existing relationships:**

A deepening of our relationships with firms we already partner with that have demonstrated strong capabilities managing other types of strategies

## Manager patience: Average tenure is 15 years

Partner	Number of mandates	Start date	Duration (years)	Vanguard assets (\$B)
Wellington Management Co.	25	1975	44	335.8
Schroder Investment Management North America	3	1981	38	15.6
PRIMECAP Management Co.	4	1984	35	85.1
Barrow, Hanley, Mewhinney, & Strauss	3	1985	34	22.5
Marathon Asset Management	1	1995	24	2.4
Oaktree Capital Management	2	1996	23	1.0
Baillie Gifford Overseas	5	2003	16	24.0
Hotchkis and Wiley Capital Management	1	2003	16	6.7
Pzena Investment Management	3	2005	14	7.0
Donald Smith & Co.	1	2005	14	1.3
Lazard Asset Management	2	2006	13	13.3
Jennison Associates	2	2007	12	6.2
Edinburgh Partners	1	2008	11	3.1
Frontier Capital Management	2	2008	11	2.0
Sanders Capital	1	2010	9	7.1
Jackson Square Partners	2	2010	9	3.7
Cardinal Capital Management	1	2010	9	0.3
Los Angeles Capital	1	2011	8	3.2
D. E. Shaw Investment Management	1	2011	8	3.2
ARGA Investment Management	1	2012	7	2.1
Stephens Investment Management Group	1	2013	6	2.1
ArrowMark Partners	2	2014	5	2.7
RS Investments	1	2016	3	1.8
ClearBridge Investments	1	2017	2	2.3
TimesSquare Capital Management	1	2017	2	0.5

**95%**  
of total assets  
**>10 years tenure**

**4%**  
of total assets  
**5–10 years tenure**

**1%**  
of total assets  
**< 5 years tenure**

Source: Vanguard, as of December 31, 2018.

## Focus on low cost and rigorous oversight has led to competitive performance

Percentage of Vanguard **active** funds outperforming their Lipper peer-group averages  
(periods ended December 31, 2018)



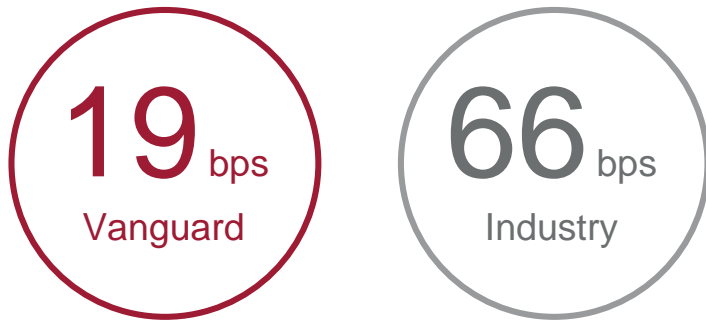
Source: Lipper, a Thomson Reuters Company.

Number of Vanguard active funds that outperformed their Lipper peer-group averages for periods ended December 31, 2018: For the one-year period, 9 of 9 Vanguard money market funds, 34 of 53 bond funds, 8 of 11 balanced funds, and 33 of 44 stock funds, or 84 of 117 Vanguard funds outperformed their peer group averages. For the three-year period, 9 of 9 Vanguard money market funds, 40 of 48 bond funds, 7 of 7 balanced funds, and 30 of 44 stock funds, or 86 of 108 Vanguard funds outperformed their peer group averages. For the five-year period, 9 of 9 Vanguard money market funds, 40 of 44 bond funds, 6 of 6 balanced funds, and 39 of 44 stock funds, or 94 of 103 Vanguard funds outperformed their peer group averages. For the ten-year period, 9 of 9 Vanguard money market funds, 32 of 44 bond funds, 6 of 6 balanced funds, and 35 of 40 stock funds, or 82 of 99 Vanguard funds outperformed their peer group averages. Results will vary for other time periods. Only funds with a minimum quarter-, one-, three-, five-, or ten-year history, respectively, were included in the comparison.

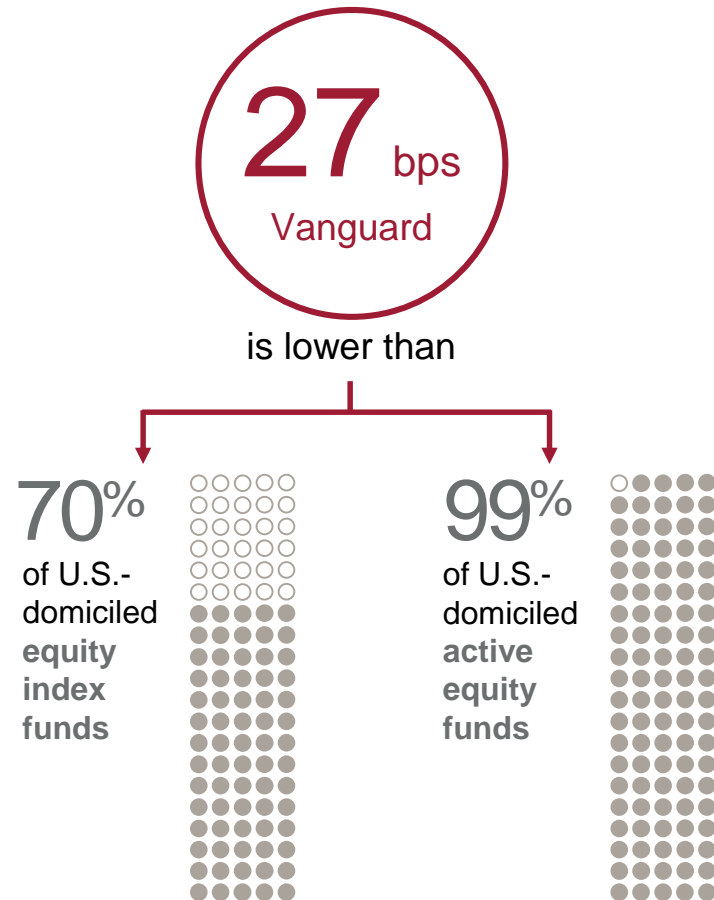
**Note that the competitive performance data shown represent past performance, which is not a guarantee of future results, and that all investments are subject to risks. For the most recent performance, visit our website at [www.vanguard.com/performance](http://www.vanguard.com/performance).**

## Low cost is key

### Average active fund expense ratio\*



### Average active equity fund\*\*



Sources: Vanguard and Morningstar, Inc., as of December 31, 2018.

\* Average Vanguard asset-weighted active fund and the average industry asset-weighted active fund.

\*\* Average asset-weighted active equity expense ratio.

Notes: The average Vanguard fund expense ratio calculation is an equal-weighted average of all share classes. The average index fund and active fund expense ratio calculations are equal-weighted averages of all share classes of non-Vanguard index funds and active funds domiciled in the United States. Vanguard calculations, based on data from Morningstar, Inc.; bps = basis points.



## Fund returns as of September 30, 2019 Domestic active vs. benchmark

Performance as of September 30, 2019	Annualized Return (%)				
	1-year	3-year	5-year	10-year	Since inception*
PRIMECAP Fund (Admiral)	(2.34)	14.14	11.65	14.32	10.32
Spliced Total Stock Market Index**	2.92	12.82	10.43	13.11	8.30
<i>Difference</i>	(5.26)	1.32	1.22	1.21	2.02

Source: Vanguard

\*Since inception of Admiral shares: (11/12/2001)

Performance as of September 30, 2019	Annualized Return (%)				
	1-year	3-year	5-year	10-year	Since inception*
Windsor Fund (Admiral)	0.24	9.52	7.00	11.20	7.20
Spliced Total Stock Market Index**	2.92	12.82	10.43	13.11	8.30
<i>Difference</i>	(2.68)	(3.30)	(3.43)	(1.91)	(1.10)

Source: Vanguard

\*Since inception of Admiral shares: (11/12/2001)

\*\*Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. 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 [www.vanguard.com/performance](http://www.vanguard.com/performance).

# Vanguard PRIMECAP Fund (VPMAX)

## Investment approach

- Multi-cap growth equity, emphasizing large- and mid-cap issues.
- Seeks long-term capital appreciation.
- Invests in out-of-favor growth companies at attractive valuations.
- Fundamental stock selection process.
- The managers develop separate subportfolios.
- Portfolio may be concentrated by sector and holdings.

## Fund advisors



- 100% PRIMECAP Management Company

## Key facts

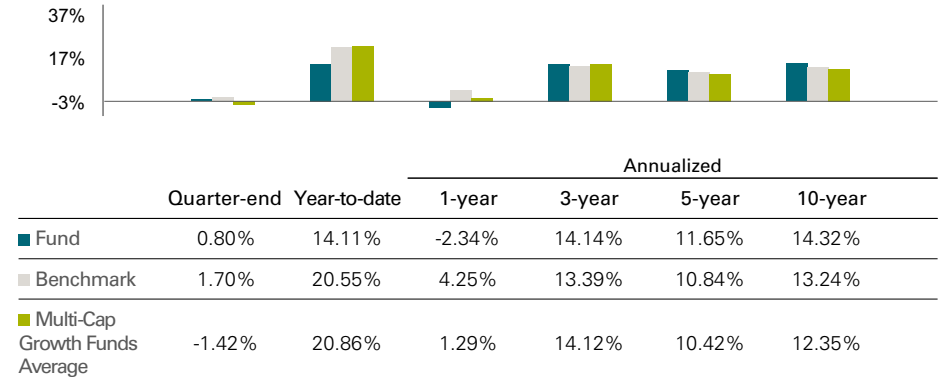
Expense ratio as of 01/28/2019	31 bps
As reported in the most recent prospectus.	
Designation	Domestic large-cap growth
Fund inception date	11/01/1984
Admiral™ Shares inception date	11/12/2001
Total net assets as of 09/30/2019 (\$M)	\$63,271
Net fund assets for VPMAX as of 09/30/2019 (\$M)	\$57,177
Holdings	138
Benchmarked to	S&P 500 Index (SPTR)
Turnover rate (fiscal year-end 09/30/2019)	8.3%
CUSIP	921936209

## Risk and volatility

	R <sup>2</sup>	Beta
Primary benchmark	0.93	1.12
Broad-based benchmark	0.94	1.09

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.  
Broad-based benchmark: Dow Jones U.S. Total Stock Market Float Adjusted Index.

## Performance



## Performance versus competitors

Percentage of Multi-Cap Growth Funds outperformed by VPMAX



Source: Lipper, a Thomson Reuters Company. Based on total returns as of September 30, 2019. Number of funds in category: 1-year, 545; 3-year, 493; 5-year, 441; 10-year, 315. Results will vary for other time periods.

*The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. 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](http://vanguard.com/performance). Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.*

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

## PRIMECAP—Firm overview

### Key facts

- Founded in 1983, Headquartered in Pasadena, California.
- AUM of \$127.1 billion as of December 31, 2018.

### Portfolio management

#### Theo A. Kolokotronis, Chairman

- Portfolio manager.
- Advised the fund since 1984.
- Worked in investment management since 1970.
- B.A., University of Chicago.
- M.B.A., Harvard Business School.

#### Joel P. Fried, President

- Portfolio manager.
- Advised the fund since 1993.
- Worked in investment management since 1985.
- B.S., University of California, Los Angeles.
- M.B.A., Anderson Graduate School of Business, University of California, Los Angeles.

#### Alfred W. Mordecai, Executive Vice President

- Portfolio manager.
- Advised the fund since 1997.
- Worked in investment management since 1997.
- B.S.E., Duke University.
- M.E.A., Virginia Polytechnic Institute and State University.
- M.B.A., Harvard Business School.

#### M. Mohsin Ansari, Executive Vice President

- Portfolio manager.
- Advised the fund since 2007.
- Worked in investment management since 2000.
- B.A., Colgate University.
- B.S., Washington University.
- M.B.A., Harvard Business School.

#### James M. Marchetti, Senior Vice President

- Portfolio manager.
- Advised the fund since 2015.
- Worked in investment management since 2005.
- B.A., Massachusetts Institute of Technology.
- M.B.A., MIT Sloan School of Management.

### Manager highlights

- Invests in out-of-favor growth companies at attractive valuations.
- Process typically results in a portfolio that is concentrated by sector and holdings.
- The portfolio management team is supported by 11 equity analysts.

### Investment focus

Asset class	Investment style	Portfolio turnover (target range)	Number of holdings (target range)	Investment theme
U.S. equity multi-cap	GARP	5%–20%	Approximately 120	The portfolio tends to favor growth industries where companies invest heavily in R&D, such as information technology and health care; it typically offers less exposure to defensive sectors.

### Investment philosophy/process

#### Long-term horizon

- Invest for the long term.
- Recognize value early, develop conviction, and have patience.

#### Fundamental research

- Use a **bottom-up stock-picking approach** to develop opinions independent of “sell side” research or index weights.
- Have one-on-one contact with company management, competitors, suppliers, and major customers.

#### Individual decision making

- The **multiple portfolio manager system** gives each PM discretion over a distinct portion of the portfolio.
- The portfolio is often concentrated by sector and across specific holdings.

#### Value discipline

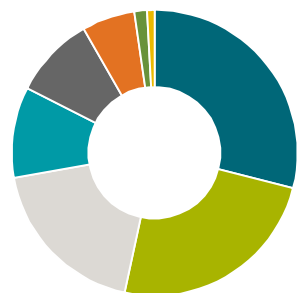
- A good company is a good investment only if purchased at the right price.
- Search for companies where sales and earnings will develop significantly better than consensus expectations or what is implied by current valuations.
- The search often starts with companies and industries that are out of favor; the approach to buying and selling is opposite that of momentum investing.

# Vanguard PRIMECAP Fund (VPMAX)

## Equity characteristics

	VPMAX	Benchmark
Number of stocks	138	505
Median market cap	\$102.9B	\$114.2B
P/E ratio (trailing earnings)	17.4x	20.6x
P/B ratio	3.5x	3.2x
Return on equity (5-year average)	15.9%	17.0%
Earnings growth rate (5-year)	15.3%	10.5%
Equity yield (dividend)	1.6%	1.9%
Foreign holdings	15.2%	—
Turnover (fiscal year end)	8.3%	—
Short-term reserves	2.5%	N/A

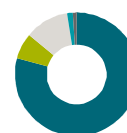
## Sector diversification as a % of common stock



Sector	VPMAX	Benchmark
Information Technology	29.0%	21.9%
Health Care	24.4	13.7
Industrials	18.8	9.4
Consumer Discretionary	10.3	10.1
Financials	9.2	12.9
Communication Services	6.0	10.4
Energy	1.4	4.5
Materials	0.9	2.7
Consumer Staples	0.0	7.6
Real Estate	0.0	3.2
Utilities	0.0	3.6

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.

## Market-cap breakdown



Market capitalization	VPMAX	Benchmark
More than \$31	79.2%	81.4%
\$25 to \$31	6.8	4.6
\$9 to \$25	11.4	12.4
\$5 to \$9	1.6	1.5
Below \$5	1.0	0.1

## Risk and volatility

	R-squared	Beta	Alpha	Standard deviation	Sharpe ratio
VPMAX	N/A	N/A	-0.05	14.19	0.89
Primary benchmark	0.93	1.12	N/A	12.18	0.97
Broad-based benchmark	0.94	1.09	N/A	12.55	0.90

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.  
Broad-based benchmark: Dow Jones U.S. Total Stock Market Float Adjusted Index.

## Ten largest holdings

	% of total net assets
Adobe Inc.	4.8%
Microsoft Corp.	4.7
Alphabet Inc.	4.6
Texas Instruments Inc.	4.0
Eli Lilly & Co.	4.0
Biogen Inc.	3.4
Amgen Inc.	3.2
Southwest Airlines Co.	3.0
Wells Fargo & Co.	2.4
United Airlines Holdings Inc.	2.2
<b>Top ten as a % of total net assets</b>	<b>36.3%</b>

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

## Vanguard PRIMECAP Fund (VPMAX)

### 3-month attribution

	Portfolio			Benchmark			Attribution		
	Average weight	3-month return	Contribution to return	Average weight	3-month return	Contribution to return	Allocation effect	Select effect	Total effect
Communication Services	5.6%	10.4%	0.5%	10.4%	2.2%	0.2%	0.0%	0.4%	0.4%
Health Care	23.6	0.7	0.1	13.9	-2.2	-0.3	-0.4	0.7	0.3
Consumer Discretionary	10.0	2.1	0.2	10.2	0.5	0.1	0.0	0.2	0.2
Energy	1.4	-13.8	-0.2	4.7	-6.3	-0.3	0.3	-0.1	0.2
Financials	8.6	4.8	0.4	13.0	2.0	0.2	0.0	0.2	0.2
Cash	2.9	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials	0.9	-2.4	0.0	2.7	-0.1	0.0	0.0	0.0	0.0
Real Estate	0.0	0.0	0.0	3.2	7.7	0.2	-0.2	0.0	-0.2
Utilities	0.0	0.0	0.0	3.4	9.3	0.3	-0.2	0.0	-0.2
Consumer Staples	0.0	2.0	0.0	7.5	6.1	0.5	-0.3	0.0	-0.3
Information Technology	28.6	1.5	0.4	21.9	3.4	0.7	0.1	-0.5	-0.4
Industrials	18.5	-3.5	-0.6	9.3	1.0	0.1	-0.1	-0.8	-0.9
<b>Total</b>	<b>100.0%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>100.0%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>-0.8%</b>	<b>0.0%</b>	<b>-0.8%</b>

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information. Information noted above does not reflect fair-value adjustments to prices of foreign securities held in the portfolio.

### Top contributors—3 month

	3-month return	Total effect	Ending weight	Benchmark weight
Texas Instruments Incorporated	13.3%	0.4%	4.0%	0.5%
KLA Corporation	35.7	0.3	1.3	0.1
Amazon.com Inc.	-8.3	0.3	0.5	2.9
Netflix Inc.	-27.1	0.2	0.0	0.5
Facebook Inc.	-7.7	0.2	0.0	1.7

### Top detractors—3 month

	3-month return	Total effect	Ending weight	Benchmark weight
Apple Inc.	13.6%	-0.4%	0.2%	3.9%
Adobe Incorporated	-6.2	-0.4	4.8	0.5
FedEx Corporation	-11.0	-0.3	2.2	0.1
American Airlines Group Inc.	-17.0	-0.3	1.3	0.0
Airbus SE	-8.5	-0.2	2.1	0.0

## Vanguard PRIMECAP Fund (VPMAX)

### 12-month attribution

	Portfolio			Benchmark			Attribution		
	Average weight	12-month return	Contribution to return	Average weight	12-month return	Contribution to return	Allocation effect	Select effect	Total effect
Energy	1.1%	-34.5%	-0.5%	5.2%	-19.2%	-1.3%	1.1%	-0.2%	0.8%
Cash	2.7	2.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financials	8.4	4.3	0.4	13.2	3.9	0.5	0.0	0.0	0.0
Materials	0.8	-12.0	-0.1	2.7	2.6	0.1	0.0	-0.2	-0.1
Health Care	24.1	-1.9	-0.3	14.5	-3.6	-0.6	-0.8	0.5	-0.3
Communication Services	5.7	-0.9	-0.1	10.1	5.4	0.6	-0.1	-0.4	-0.4
Consumer Discretionary	9.7	-2.1	-0.1	10.3	2.9	0.4	0.0	-0.5	-0.5
Real Estate	0.0	20.1	0.0	3.0	24.7	0.7	-0.5	0.0	-0.5
Utilities	0.0	0.0	0.0	3.3	27.1	0.8	-0.6	0.0	-0.6
Consumer Staples	0.0	-6.7	0.0	7.3	16.9	1.1	-0.8	0.0	-0.8
Information Technology	28.7	3.9	1.0	21.0	8.6	1.8	0.3	-1.3	-0.9
Industrials	18.9	-12.6	-2.6	9.4	1.5	0.1	-0.2	-2.9	-3.1
<b>Total</b>	<b>100.0%</b>	<b>-2.2%</b>	<b>-2.2%</b>	<b>100.0%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>-1.6%</b>	<b>-4.9%</b>	<b>-6.5%</b>

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information. Information noted above does not reflect fair-value adjustments to prices of foreign securities held in the portfolio.

### Top contributors—12 month

	12-month return	Total effect	Ending weight	Benchmark weight
Texas Instruments Incorporated	23.9%	0.6%	4.0%	0.5%
KLA Corporation	61.1	0.5	1.3	0.1
Amazon.com Inc.	-13.3	0.5	0.5	2.9
Roche Holding AG	23.5	0.3	1.5	0.0
Exxon Mobil Corporation	-13.1	0.3	0.0	1.2

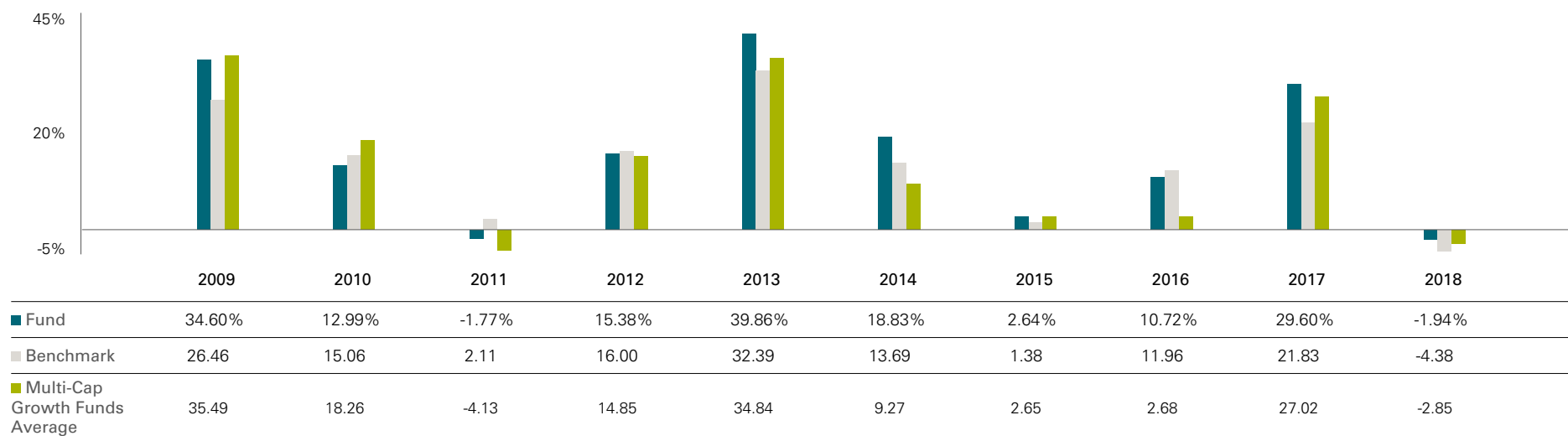
### Top detractors—12 month

	12-month return	Total effect	Ending weight	Benchmark weight
Biogen Inc.	-34.1%	-1.7%	3.4%	0.2%
FedEx Corporation	-38.6	-1.4	2.2	0.1
NetApp Inc.	-37.3	-0.6	1.1	0.1
American Airlines Group Inc.	-34.0	-0.6	1.3	0.0
Southwest Airlines Co.	-12.4	-0.5	3.0	0.1

## Vanguard PRIMECAP Fund (VPMAX)

### Total returns: Admiral Shares

Calendar-year performance



*The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. 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](http://vanguard.com/performance).*

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

# Vanguard Windsor™ Fund (VWNEX)

## Investment approach

- Large- and mid-cap value equity.
- Seeks long-term capital appreciation and growth of income.
- Diversified, multimanager structure.
- Fundamental research approach.
- Opportunistic, contrarian stock selection style.

## Key facts

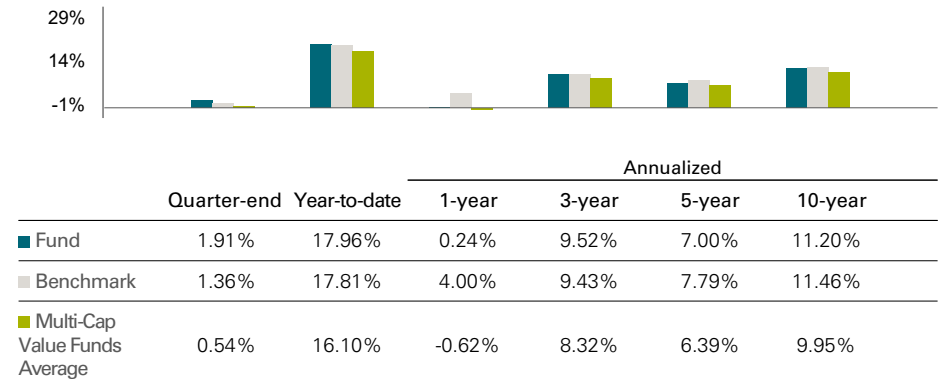
<b>Expense ratio as of 02/27/2019</b>	
21 bps	
As reported in the most recent prospectus.	
<b>Designation</b>	Domestic large-cap value
<b>Fund inception date</b>	10/23/1958
<b>Admiral™ Shares inception date</b>	11/12/2001
<b>Total net assets as of 09/30/2019 (\$M)</b>	\$18,832
<b>Net fund assets for VWNEX as of 09/30/2019 (\$M)</b>	\$14,356
<b>Holdings</b>	125
<b>Benchmarked to</b>	Russell 1000 Value Index (RU10VATR)
<b>Turnover rate (fiscal year-end 10/31/2018)</b>	33.1%
<b>CUSIP</b>	922018403

## Risk and volatility

	R <sup>2</sup>	Beta
<b>Primary benchmark</b>	0.96	1.10
<b>Broad-based benchmark</b>	0.93	1.06

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark. Broad-based benchmark: Dow Jones U.S. Total Stock Market Float Adjusted Index.

## Performance



## Performance versus competitors

Percentage of Multi-Cap Value Funds outperformed by VWNEX



Source: Lipper, a Thomson Reuters Company. Based on total returns as of September 30, 2019. Number of funds in category: 1-year, 414; 3-year, 366; 5-year, 319; 10-year, 245. Results will vary for other time periods.

*The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. 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](http://vanguard.com/performance). Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.*

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

## Fund advisors



69%	Wellington Management Company LLP
29	Pzena Investment Management, LLC
1	Cash investments

All data as of September 30, 2019, unless otherwise noted.

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## Vanguard Windsor™ Fund—Managers

The fund employs a multimanager approach. By combining high-caliber managers who have differentiated strategies, the fund seeks to reduce portfolio volatility while preserving the potential for long-run outperformance.

### Fund managers

	Pzena Investment Management, LLC	Wellington Management Company LLP
<b>Manager start date</b>	2012	1958
<b>Portfolio manager (start date)</b>	Richard S. Pzena (2012) Benjamin S. Silver (2015) John J. Flynn (2017)	David W. Palmer (2018)
<b>Current allocation (as of September 30, 2019)</b>	29%	69%
<b>Investment focus</b>	Mid- and large-cap equity	Mid- and large-cap equity
<b>Investment style</b>	Deep value	Relative value
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Pzena’s deep-value philosophy is supported by thorough fundamental, bottom-up research.</li> <li>• The portfolio management team is supported by a deep, experienced, and stable team of research analysts.</li> <li>• Research focuses on identifying stocks meeting three criteria: (1) problems are judged to be temporary, (2) management has a viable plan to generate an earnings recovery, and (3) there is meaningful downside protection in case earnings do not recover.</li> </ul>	<ul style="list-style-type: none"> <li>• Wellington seeks to provide long-term total returns above those of both the S&amp;P 500 and value-oriented indexes over a complete market cycle through bottom-up, fundamentally driven stock selection focused on deeply undervalued securities.</li> <li>• The portfolio is opportunistic and contrarian in nature; the advisor is willing to prudently concentrate positions in stocks with the greatest appreciation potential when the conviction level is high and risks are manageable.</li> <li>• The process is supported by a dedicated eight-person analyst team and WMC’s deep global industry analysts, macroeconomists, portfolio managers, and traders.</li> </ul>

## Pzena Investment Management—Firm overview

### Key facts

- Founded in 1996.
- Headquartered in New York, New York.
- \$33.4 billion in assets under management as of December 31, 2018.

### Portfolio management

#### Richard S. Pzena, Founder, Chief Executive Officer, and Co-Chief Investment Officer

- Portfolio manager.
- Advised the fund since 2012.
- Worked in investment management since 1984.
- B.S. and M.B.A., The Wharton School at the University of Pennsylvania.

#### Benjamin S. Silver, CFA, CPA

- Portfolio manager.
- Advised the fund since 2015.
- Worked in investment management since 1988.
- B.S., Yeshiva University.

#### John J. Flynn, Principal

- Portfolio manager.
- Advised the fund since 2017.
- Worked in investment management since 2000.
- B.A., Yale University.
- M.B.A., Harvard Business School.

### Manager highlights

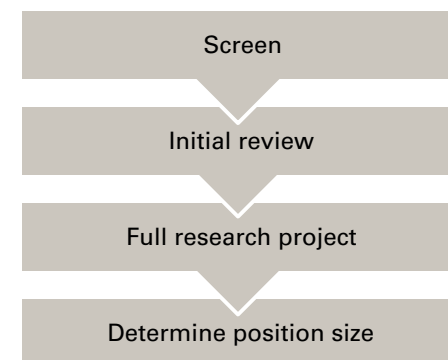
- Pzena's deep-value philosophy is supported by thorough, fundamental research.
- The three-person portfolio management team is supported by a deep, experienced, and stable team of research analysts.

### Investment focus

Asset class	Investment style	Portfolio turnover (target range)	Number of holdings (target range)	Investment theme
Mid- and large-cap equity	Deep value	30%–50%	40–80	The approach results in a fairly concentrated portfolio of undervalued stocks, with meaningful differences in sector and industry positioning versus the index.

### Investment philosophy/process

- Screen:
  - Review cheapest quintile.
- Initial review:
  - Analyze industry.
  - Company financial and two-week research review.
- Full research project:
  - Construct detailed financial model.
  - Management discussion/ on-site visit.
  - Bull and bear analysis.
  - Finalize normal earnings power.
- Position size:
  - Valuation.
  - Risk.
  - Diversification.



## Wellington Management Company LLP—Firm overview

### Key facts

- Founded in 1928.
- Headquartered in Boston, Massachusetts.
- More than \$1 trillion in assets under management as of December 31, 2018.
- More than 2,500 employees worldwide.
- Serves as an investment advisor to nearly 2,000 institutions.
- Investment strategies offered include equity, fixed income, and multistrategy/alternative asset classes.

### Portfolio management

David W. Palmer, CFA, Senior Managing Director

- Portfolio manager.
- Advised the fund since 2018.
- Worked in investment management since 1993.
- B.A., Stanford University.
- M.B.A., The Wharton School of the University of Pennsylvania.

### Manager highlights

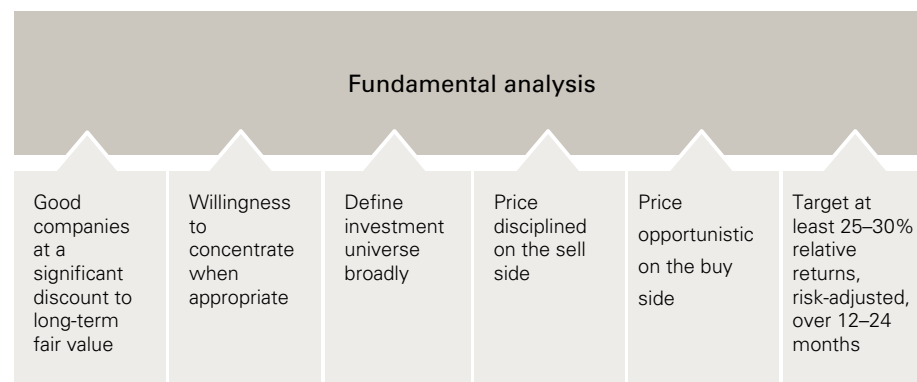
- Seeks to outperform both the S&P 500 and value-oriented indexes over a complete market cycle through bottom-up, fundamentally-driven stock selection focused on undervalued securities.
- Opportunistic and contrarian approach; the advisor is willing to concentrate on stocks with the greatest appreciation potential when the conviction level is high and risks are manageable.
- The process is supported by a dedicated eight-person analyst team.

### Investment focus

Asset class	Investment style	Portfolio turnover (target range)	Number of holdings (target range)	Investment theme
U.S. equity mid- and large-cap	Traditional value	30%–60%	60–90	The portfolio typically offers a prospective total return (growth plus dividend yield) comparable to the index, but at a valuation discount. Sector weightings and the distribution of market capitalization frequently differ from the index.

### Investment philosophy/process

- Markets are highly efficient over the long-term but tend to overreact to short and intermediate trends.
- Opportunistically take advantage of price dislocations through rigorous analysis.
- Determine fair valuation of securities based on long-term fundamental factors.
- Contrarian, low relative P/E investing provides an opportunity for asymmetrical returns over time.

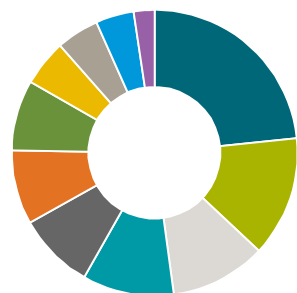


# Vanguard Windsor™ Fund (VWNEX)

## Equity characteristics

	VWNEX	Benchmark
Number of stocks	125	766
Median market cap	\$34.9B	\$55.2B
P/E ratio (trailing earnings)	14.6x	16.7x
P/B ratio	1.7x	1.9x
Return on equity (5-year average)	11.7%	11.7%
Earnings growth rate (5-year)	12.3%	6.2%
Equity yield (dividend)	2.2%	2.6%
Foreign holdings	6.0%	—
Turnover (fiscal year end)	33.1%	—
Short-term reserves	3.7%	N/A

## Sector diversification as a % of common stock



Sector	VWNEX	Benchmark
Financials	23.3%	23.5%
Health Care	13.7	12.4
Industrials	10.8	9.4
Information Technology	10.4	6.0
Communication Services	8.7	8.2
Energy	8.4	8.4
Consumer Discretionary	8.0	6.1
Consumer Staples	5.2	9.2
Materials	4.8	4.3
Real Estate	4.3	5.5
Utilities	2.4	7.0

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.

## Market-cap breakdown



Market capitalization	VWNEX	Benchmark
More than \$31	53.7%	67.2%
\$25 to \$31	8.5	4.5
\$9 to \$25	24.2	17.7
\$5 to \$9	13.2	7.7
Below \$5	0.5	2.9

## Risk and volatility

	R-squared	Beta	Alpha	Standard deviation	Sharpe ratio
VWNEX	N/A	N/A	-0.04	13.86	0.58
Primary benchmark	0.96	1.10	N/A	12.34	0.64
Broad-based benchmark	0.93	1.06	N/A	12.55	0.90

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.  
Broad-based benchmark: Dow Jones U.S. Total Stock Market Float Adjusted Index.

## Ten largest holdings

	% of total net assets
Bank of America Corp.	3.1%
Citigroup Inc.	2.0
MetLife Inc.	2.0
CVS Health Corp.	1.9
Comcast Corp.	1.9
Wabtec Corp.	1.8
Bristol-Myers Squibb Co.	1.8
Verizon Communications Inc.	1.6
Philip Morris International Inc.	1.6
Intel Corp.	1.6

**Top ten as a % of total net assets** 19.3%

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

## Vanguard Windsor™ Fund (VWNEX)

### 3-month attribution

	Portfolio			Benchmark			Attribution		
	Average weight	3-month return	Contribution to return	Average weight	3-month return	Contribution to return	Allocation effect	Select effect	Total effect
Health Care	13.3%	3.9%	0.5%	12.7%	-3.1%	-0.4%	0.0%	0.9%	0.9%
Industrials	11.2	3.1	0.3	9.5	-1.9	-0.2	-0.1	0.6	0.5
Materials	4.8	5.7	0.3	4.3	-2.2	-0.1	0.0	0.4	0.4
Information Technology	11.3	5.1	0.6	6.1	3.0	0.2	0.1	0.2	0.3
Communication Services	7.9	5.8	0.5	8.2	3.7	0.3	0.0	0.2	0.1
Cash	1.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate	4.2	8.9	0.4	5.3	8.0	0.4	-0.1	0.0	0.0
Consumer Staples	4.8	8.9	0.4	9.0	5.9	0.5	-0.2	0.1	-0.1
Utilities	2.2	10.5	0.2	6.7	8.2	0.6	-0.3	0.0	-0.3
Consumer Discretionary	7.7	-2.1	-0.1	6.0	3.3	0.2	0.0	-0.4	-0.4
Energy	8.5	-11.2	-1.1	8.7	-6.7	-0.7	0.0	-0.4	-0.4
Financials	22.7	0.5	0.0	23.5	2.2	0.5	0.0	-0.4	-0.4
<b>Total</b>	<b>100.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>100.0%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>-0.5%</b>	<b>1.2%</b>	<b>0.7%</b>

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information. Information noted above does not reflect fair-value adjustments to prices of foreign securities held in the portfolio.

### Top contributors—3 month

	3-month return	Total effect	Ending weight	Benchmark weight
KLA Corporation	35.7%	0.3%	1.3%	0.0%
Pfizer Inc.	-16.3	0.2	0.4	1.5
EQUINIX	14.9	0.2	1.4	0.0
Johnson & Johnson	-6.4	0.2	0.0	2.2
CVS Health Corporation	16.8	0.2	1.9	0.6

### Top detractors—3 month

	3-month return	Total effect	Ending weight	Benchmark weight
Concho Resources Inc.	-34.1%	-0.4%	0.9%	0.1%
Procter & Gamble Company	14.2	-0.2	0.0	2.1
Halliburton Company	-16.3	-0.2	1.1	0.1
AT&T Inc.	14.6	-0.2	0.3	2.0
UnitedHealth Group Incorporated	-10.5	-0.2	1.3	0.0

## Vanguard Windsor™ Fund (VWNEX)

### 12-month attribution

	Portfolio			Benchmark			Attribution		
	Average weight	12-month return	Contribution to return	Average weight	12-month return	Contribution to return	Allocation effect	Select effect	Total effect
Information Technology	13.1%	12.1%	1.7%	8.7%	10.3%	0.9%	0.4%	0.2%	0.6%
Industrials	10.8	3.8	0.5	8.2	0.1	0.0	0.0	0.4	0.4
Materials	4.8	3.8	0.2	4.1	-4.6	-0.1	-0.1	0.4	0.3
Communication Services	6.9	19.4	1.3	7.1	13.3	0.9	-0.1	0.2	0.1
Real Estate	3.5	30.8	1.0	5.1	18.7	0.9	-0.2	0.3	0.1
Cash	1.4	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consumer Discretionary	7.9	-0.3	0.1	5.7	6.6	0.4	0.0	-0.5	-0.5
Financials	22.5	-0.1	0.0	22.8	2.9	0.7	0.0	-0.6	-0.6
Utilities	2.5	25.4	0.5	6.4	26.2	1.5	-0.6	-0.1	-0.7
Energy	8.9	-29.3	-3.2	9.4	-20.9	-2.5	0.2	-1.0	-0.8
Health Care	13.1	-9.1	-1.5	14.5	-0.2	0.0	0.1	-1.4	-1.3
Consumer Staples	4.9	-3.5	-0.2	8.1	17.0	1.3	-0.4	-1.0	-1.4
<b>Total</b>	<b>100.0%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>100.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>-0.7%</b>	<b>-3.0%</b>	<b>-3.6%</b>

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information. Information noted above does not reflect fair-value adjustments to prices of foreign securities held in the portfolio.

### Top contributors—12 month

	12-month return	Total effect	Ending weight	Benchmark weight
KLA Corporation	61.1%	0.5%	1.3%	0.0%
AMERICAN TOWER CORP	55.0	0.5	0.6	0.0
EQUINIX	43.1	0.4	1.4	0.0
Exxon Mobil Corporation	-13.1	0.3	0.6	2.2
Schlumberger N.V. (Schlumberger Limited)	-40.9	0.3	0.0	0.4

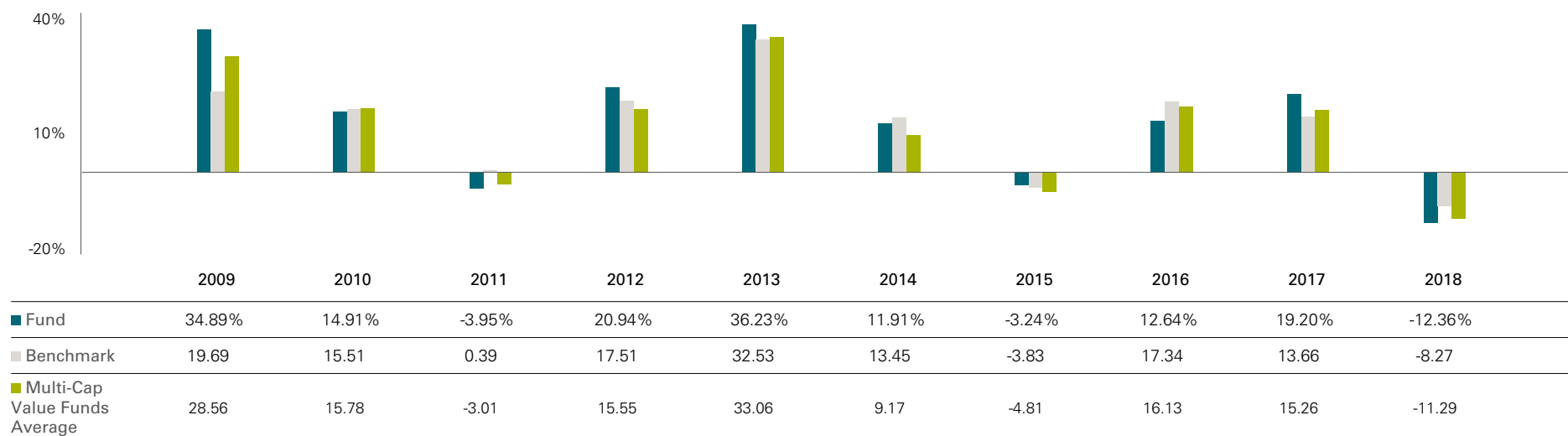
### Top detractors—12 month

	12-month return	Total effect	Ending weight	Benchmark weight
Halliburton Company	-52.1%	-0.8%	1.1%	0.1%
Procter & Gamble Company	54.0	-0.8	0.0	2.1
Concho Resources Inc.	-55.4	-0.7	0.9	0.1
Mylan N.V.	-46.0	-0.5	0.5	0.1
Alcoa Corp.	-50.3	-0.4	0.4	0.0

## Vanguard Windsor™ Fund (VWNEX)

### Total returns: Admiral Shares

Calendar-year performance

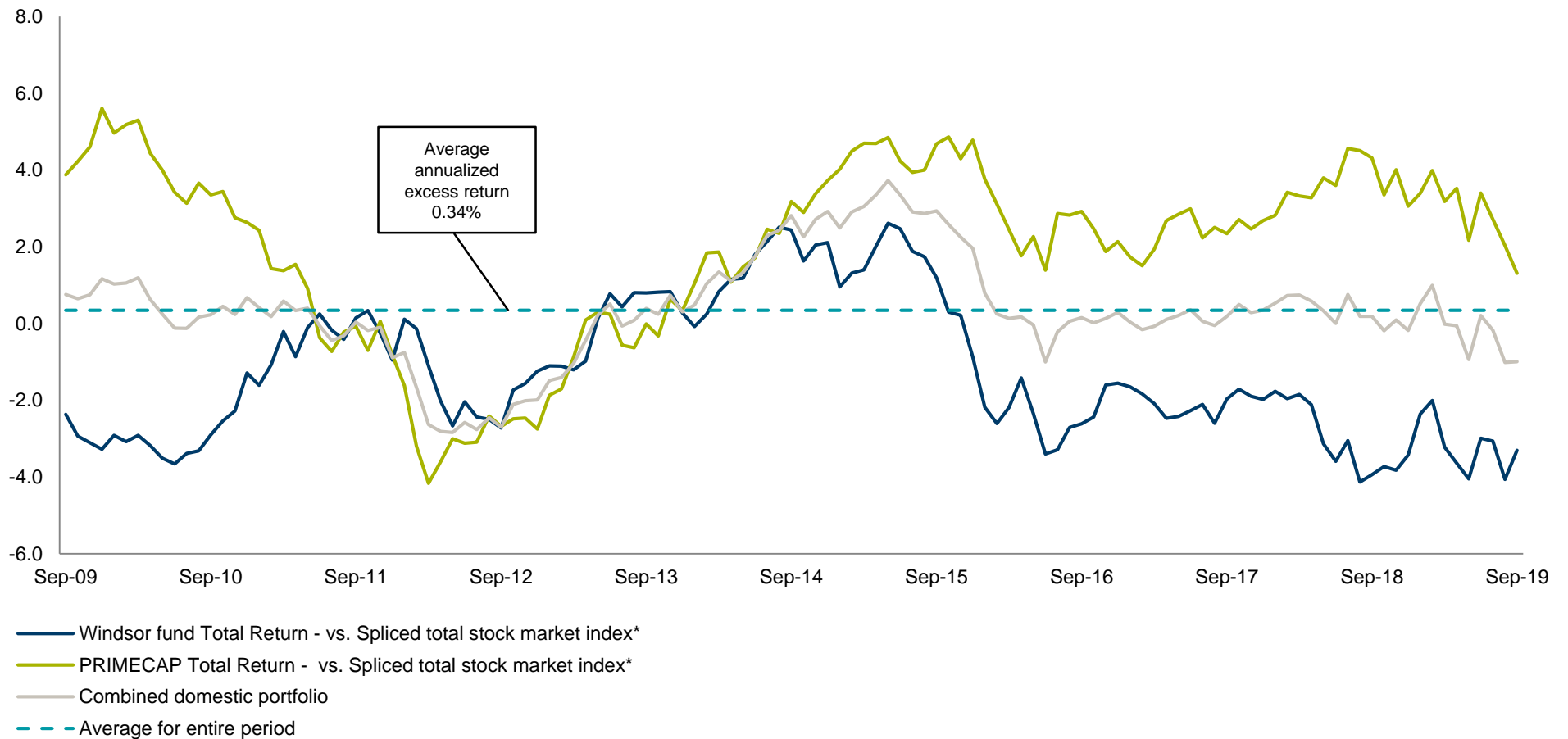


The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](http://vanguard.com/performance).

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

# Rolling 3 year excess return Through September 30, 2019

## Rolling 36 month return of Active Domestic Equity Funds



**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

\*Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter.



# Rolling 3 year excess return Through September 30, 2019

## Rolling 36 month return of Active Domestic Equity Funds

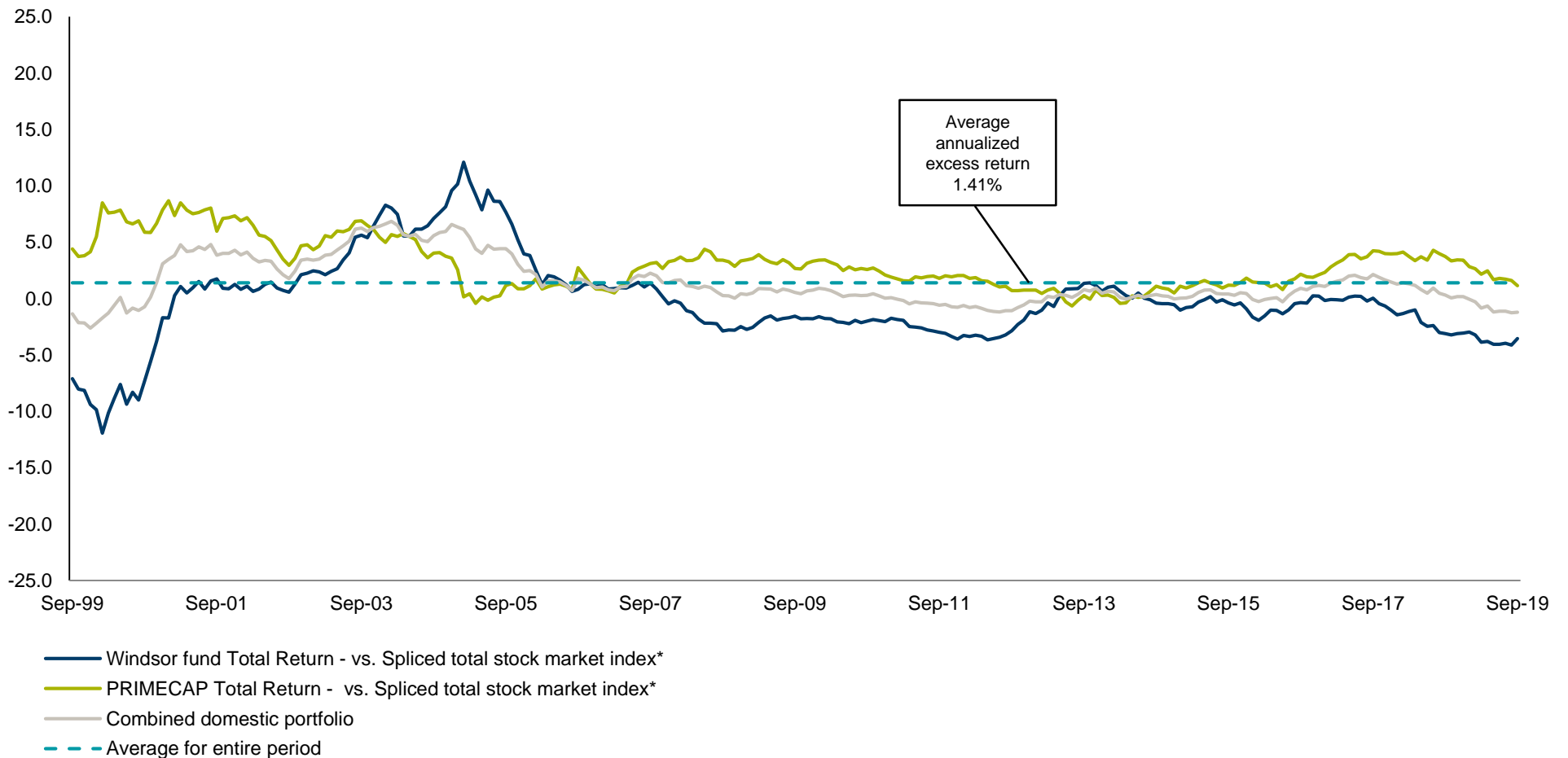


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\*Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter.

# Rolling 5 year excess return Through September 30, 2019

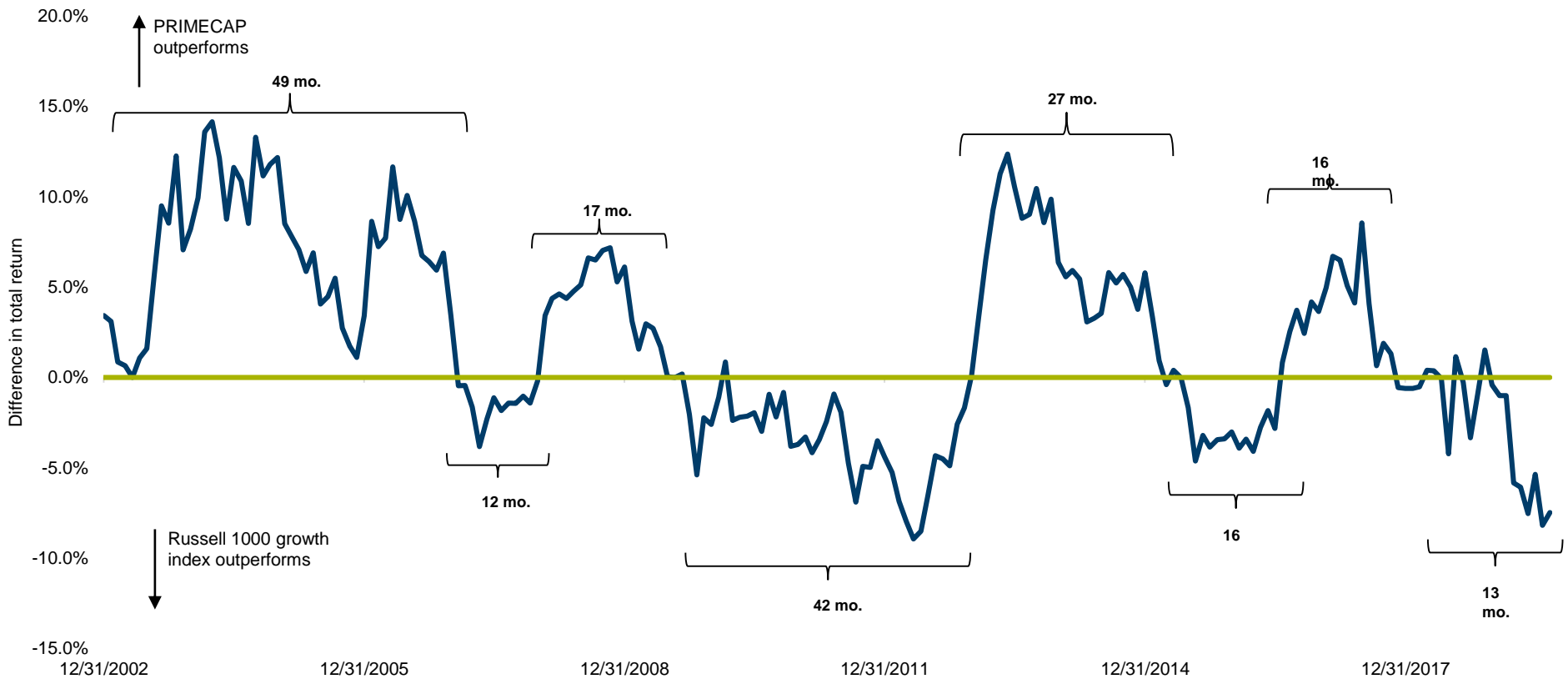
## Rolling 60 month return of Active Domestic Equity Funds



**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

\*Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter.

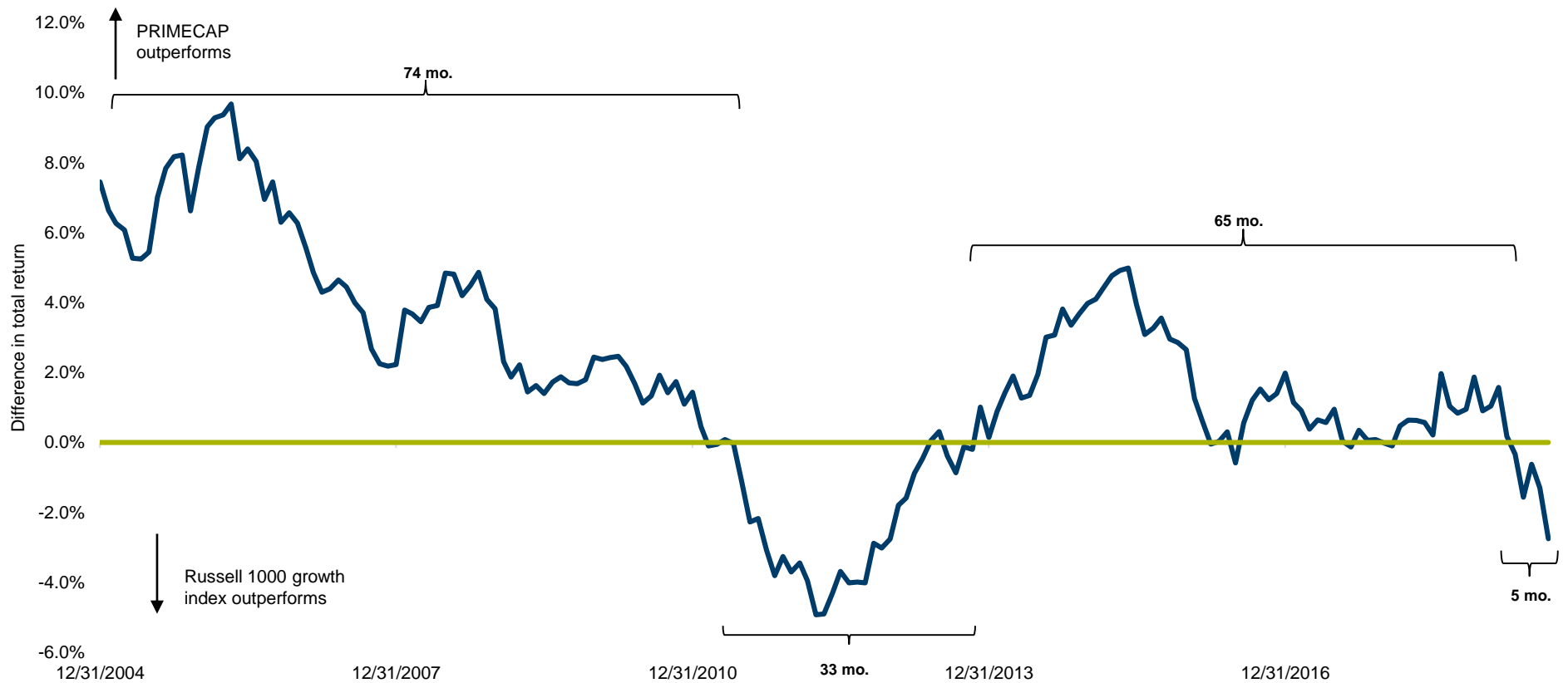
# PRIMECAP Admiral Shares Excess Return vs. Russell 1000 Growth (Rolling 12 month)



Source: Vanguard, as of August 31, 2019. Data represents the PRIMCAP Admiral share class.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. There may be other material differences between products that must be considered prior to investing. Benchmark represents the Russell 1000 Growth Index.

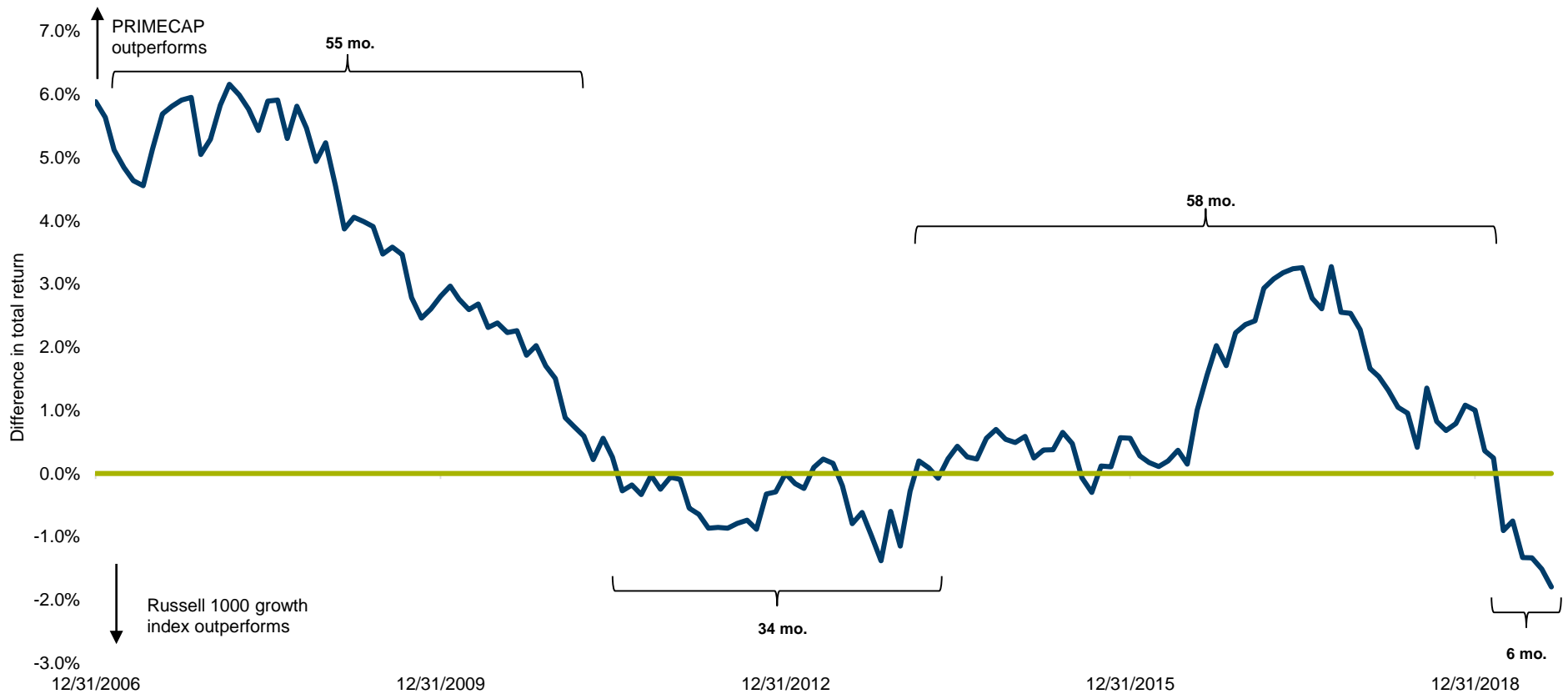
## PRIMECAP Admiral Shares Excess Return vs. Russell 1000 Growth (Rolling 36 month)



Source: Vanguard, as of August 31, 2019. Data represents the PRIMCAP Admiral share class.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. There may be other material differences between products that must be considered prior to investing. Benchmark represents the Russell 1000 Growth Index.

## PRIMECAP Admiral Shares Excess Return vs. Russell 1000 Growth (Rolling 60 month)



Source: Vanguard, as of August 31, 2019. Data represents the PRIMCAP Admiral share class.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. There may be other material differences between products that must be considered prior to investing. Benchmark represents the Russell 1000 Growth Index.

## PRIMECAP Admiral Shares Excess Return vs. Russell 1000 Growth

	1 Year (rolling)*	3 Year (rolling)*	5 Year (rolling)**
<b>% of Months PRIMECAP Outperforms Russell 1000 Growth</b>	57%	77%	76%
<b>% of Months PRIMECAP Underperforms Russell 1000 Growth</b>	43%	23%	24%
<b>% of Months PRIMECAP Outperforms Russell 1000 Growth by 5%</b>	32%	15%	14%
<b>% of Months PRIMECAP Underperforms Russell 1000 Growth by 5%</b>	7%	0%	0%

\*202 observations with data beginning 12/31/02.

\*\*178 observations with data beginning 12/31/04.

\*\*\*154 observations with data beginning 12/31/06.

Source: Vanguard, as of August 31, 2019. Data represents the PRIMECAP Admiral share class.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. There may be other material differences between products that must be considered prior to investing. Benchmark represents the Russell 1000 Growth Index.

## Investment performance returns

Annualized (as of 09/30/2019)

Fund/Index/Average	Expense ratio* (%)	Three months (%)	Year-to-date (%)	One year (%)	Three years (%)	Five years (%)	Ten years (%)	Since inception (%)
<b>Vanguard PRIMECAP Fund Investor Shares (11/01/1984)</b>	<b>0.38</b>	<b>0.78</b>	<b>14.05</b>	<b>-2.41</b>	<b>14.06</b>	<b>11.57</b>	<b>14.23</b>	<b>13.48</b>
<i>S&amp;P 500 Index</i>		1.70	20.55	4.25	13.39	10.84	13.24	—
<i>Multi-Cap Growth Funds Average</i>		-1.42	20.86	1.29	14.12	10.42	12.35	—
<b>Vanguard PRIMECAP Fund Admiral™ Shares (11/12/2001)</b>	<b>0.31</b>	<b>0.80</b>	<b>14.11</b>	<b>-2.34</b>	<b>14.14</b>	<b>11.65</b>	<b>14.32</b>	<b>10.32</b>
<i>S&amp;P 500 Index</i>		1.70	20.55	4.25	13.39	10.84	13.24	—
<i>Multi-Cap Growth Funds Average</i>		-1.42	20.86	1.29	14.12	10.42	12.35	—

The performance data shown represent past performance. Past performance is no guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. 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](http://vanguard.com/performance). Some funds assess purchase, redemption, and/or account maintenance fees. The performance data shown do not reflect deduction of these fees. If they did, performance would be lower. Details on these fees and adjusted performance figures can be found in the fund detail section.

Source: Data derived from Morningstar.

For some funds, fees are levied on purchases or redemptions to offset the costs of buying and selling portfolio securities. For others, fees are assessed on redemptions made within certain time periods after a purchase to discourage short-term trading. All purchase or redemption fees are paid directly to the fund to compensate long-term shareholders for the costs of trading activity. Note that one-year performance figures are not fee-adjusted for fees incurred on shares held less than one year.

\* Expense ratio data are as of the fund's most recent prospectus.

# Economic and Market Outlook



## Economic and market overview

1

### **Global growth**

Outlook downgraded amid escalating trade tensions and modest deterioration in economic fundamentals

### **Policy and interest rates**

Dovish sentiment growing as downside risks escalate

2

3

### **Global asset returns**

Expect higher risks and lower returns

## Themes and outlook

	Global	United States	Europe	Asia
<b>Growth</b>	We have downgraded our global growth outlook amid an escalation in global trade tensions and a modest deterioration in economic fundamentals. We now expect 1% growth in 2020 for the US, 0.7% in the Euro area, 5.8% in China.	In 2020, U.S. economic growth should decline from current levels and average 1.4% throughout 2020 while ending the year at roughly 1%.  The chances of a U.S. recession occurring in the next 12 months and thereby derailing growth in the global economy are roughly 50% as we enter the third quarter.	Euro area growth is likely to be below trend in 2020, with growth of about 0.7%. The sharp slowdown has been driven by: a deterioration in global growth, tighter financial conditions, elevated policy uncertainty, and temporary/idiosyncratic factors (e.g., autos).  Our forecast for the United Kingdom for growth is at slightly below trend in 2020. However, tail risks are elevated due to uncertainty about Brexit.	In China, Real GDP growth prospects for 2020, 5.8%, with risks tilting toward the downside. We expect growth to gradually slow in the second half of 2019.  We expect Japan to grow just below potential, 0.4% in 2020, as domestic demand offsets global export slowdown, with technical recession starting in Q4 due to VAT tax hikes.
<b>Inflation</b>	We expect global labor markets to remain relatively tight, with unemployment rates, wage growth and inflation to remain broadly stable.  The sensitivity of core inflation to labor markets is likely weaker than in past cycles, due to increasing labor market competition from low wage offshore workers, and the substitution of technology in place of labor.	Core PCE likely to remain below 2% in 2H 2019 given structural factors (technology, globalization).  Odds of inflation above 2% vs falling below by year end 2019 are 20/80.	In the Euro area, we expect a gradual strengthening in price pressures as labor market slack erodes. Nonetheless, we see a low likelihood of a surprise surge in core inflation, due to structural factors in the labor market.  In the United Kingdom, we expect core inflation to remain close to 2% in 2019, given tight-labor markets. Brexit, and associated exchange rate volatility, is a key risk to this view.	In China, CPI to be around 2.0–2.5% in 2019. Supply constraints in pork pose an upside risk, but still unlikely for CPI to breach 3%.  In Japan, narrowing output gap and strong bump in non—regular workers' wages should support a gradual increase in CPI, excluding fresh food and energy. 1% core-core inflation is likely achievable in 2020.
<b>Policy and interest rates</b>	Our outlook for global monetary policy has become more dovish. We downgraded our Fed call to two additional cuts. We have also shifted our ECB and BOE view from “one-rate hike” over the next 12 months to “no policy change,” with risks skewed towards further easing.	We’re downgrading our Fed call from a pause in 2020 to 50bps in cuts. This reflects our best assessment of what the Fed will do to counter an inverted yield curve, elevated uncertainty, and soft inflation.	We anticipate the European Central Bank will be on pause throughout 2020.  In the United Kingdom, we expect the Bank of England to keep rates on hold until there is more clarity around Brexit.	Policymakers have to balance multiple goals, such as near-term growth stability and medium-term financial stability.  BOJ faces a dilemma between inflation and financial stability.

	Balanced	Equities	Bonds
<b>Global asset returns</b>	Our outlook for global stocks and bonds has gradually improved due to a decline in stock valuations and higher bond yields. The market’s efficient frontier of expected returns for a unit of portfolio risk is still in a lower return orbit. More important, common asset-return-centric portfolio tilts, seeking higher return or yield, are unlikely to escape the strong gravity of low return forces in play.	Based on our “fair-value” stock valuation metrics, the medium-run outlook for global equities has improved somewhat and is now in the 4.5%–6.5% range.  Expected returns for the U.S. stock market are lower than those for international developed markets, underscoring the benefits of global equity strategies in the face of lower—returns.	Despite the risk of a short-term acceleration in the pace of monetary normalization, the potential for a material rise in long-term interest rates remains modest.  Fair-value estimate for the benchmark 10-year U.S. Treasury is 2.25-2.75 given market (SPF) federal funds rate expectations and reasonable term premium.

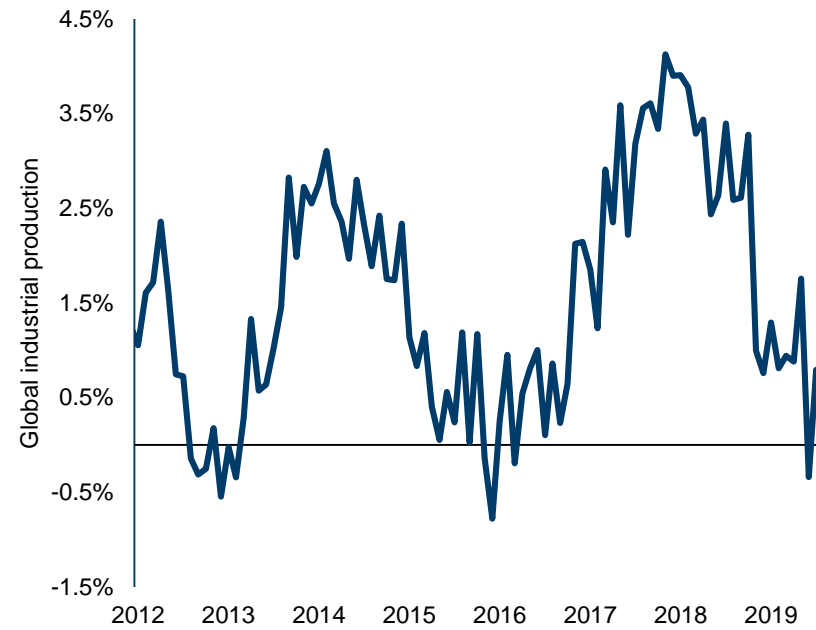
Source: Vanguard.

# Global business cycle continues to mature

## Global growth will moderate in 2020

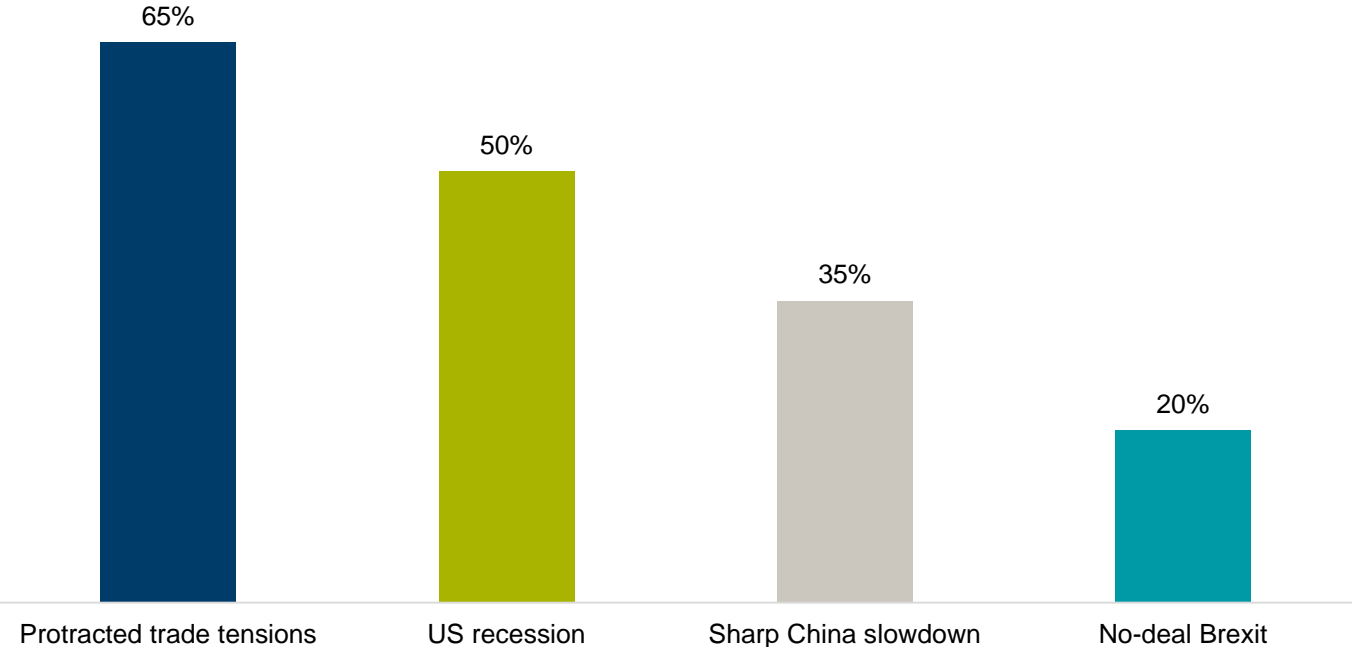


## Driven in large part by the manufacturing slowdown



# Top global risks on our mind

## Vanguard assessment of 2020 negative scenario risks



## Trade war scenarios

Lack of compromise on structural issues makes a prolonged impasse more likely

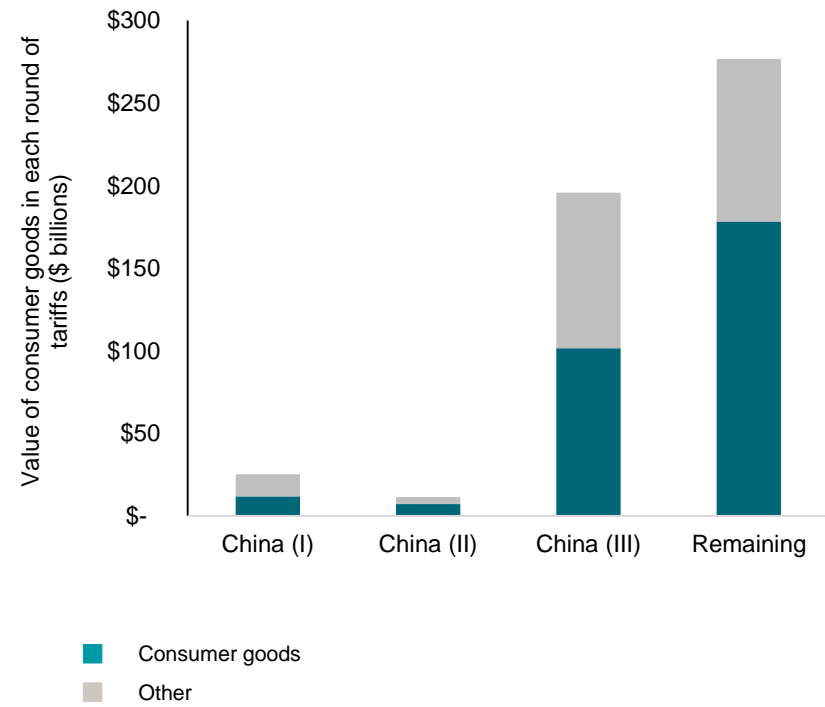
	Pessimistic	Baseline	Optimistic
<b>Current likelihood</b> (as of Nov. 2018)	<b>25%</b> (20%)	<b>65%</b> (50%)	<b>10%</b> (30%)
<b>Description</b>	<ul style="list-style-type: none"> <li>• Sharp escalation in U.S.–China relations with tariff rates above 25% as well as non-tariff restrictions (e.g., quotas)</li> <li>• Broad coverage of tariffs on U.S.–EU trade (incl. autos) in a tit-for-tat escalation, while WTO remains in gridlock</li> <li>• Breakdown of USMCA ratification and threatened withdrawal from NAFTA by the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>• Gradual escalation in tariffs and retaliation between the U.S. and China, likely ending in a impasse with tariffs in place indefinitely</li> <li>• The U.S. and EU threaten tit-for-tat tariffs (e.g., autos) but start negotiations prior to enacting tariffs</li> <li>• USMCA is ratified by mid-2020 after minor additions to labor clauses</li> </ul>	<ul style="list-style-type: none"> <li>• China agrees to increase imports from the U.S. in exchange for a partial rollback in tariffs</li> <li>• The U.S. and EU agree to more market access and lower tariffs with marginal economic benefits</li> <li>• USMCA is ratified by the end of 2019 after minor additions to labor clauses</li> </ul>

# Downside risks to trade remain elevated

**Deceleration in global trade to persist into second half**



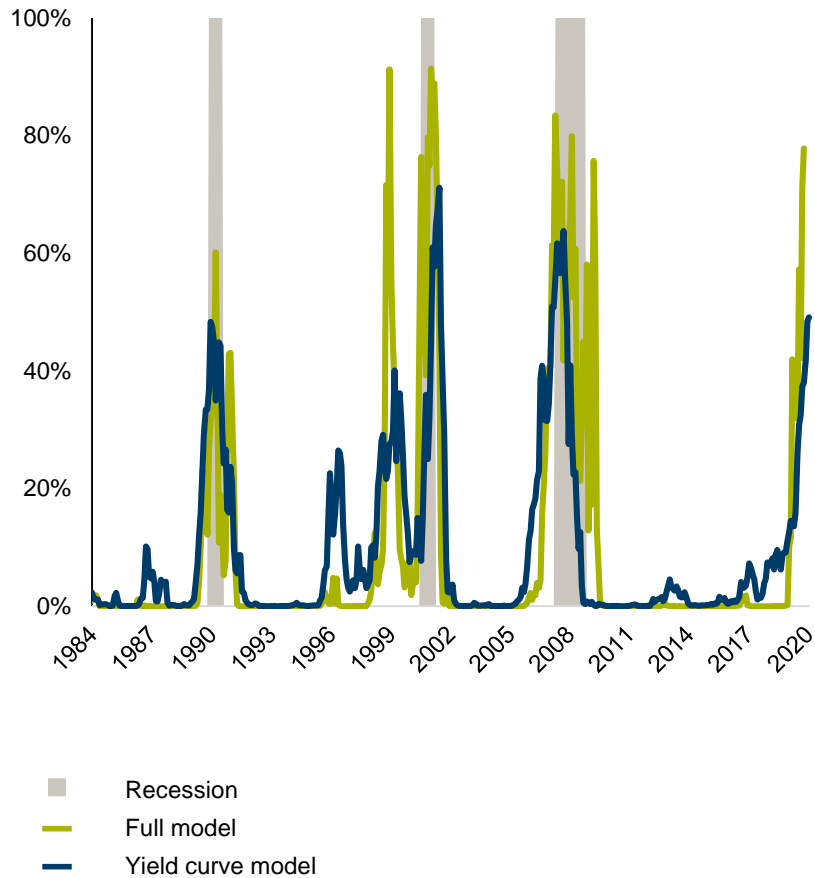
**Higher economic cost if tariffs implemented on remaining imports**



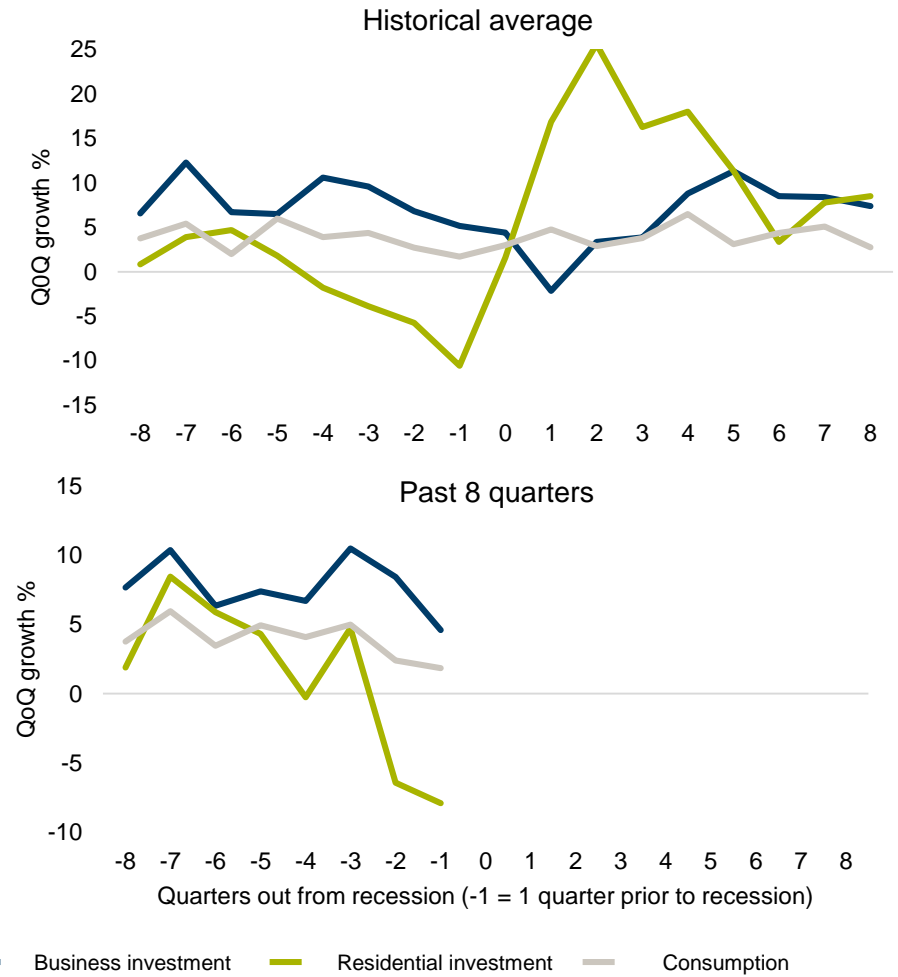
Sources: Vanguard calculations using data from Thomson Reuters Datastream, US ITC Dataweb, and USTR.

# U.S. 2020 growth downgraded as elevated uncertainty persists

Probability of recession rising as financial conditions tighten

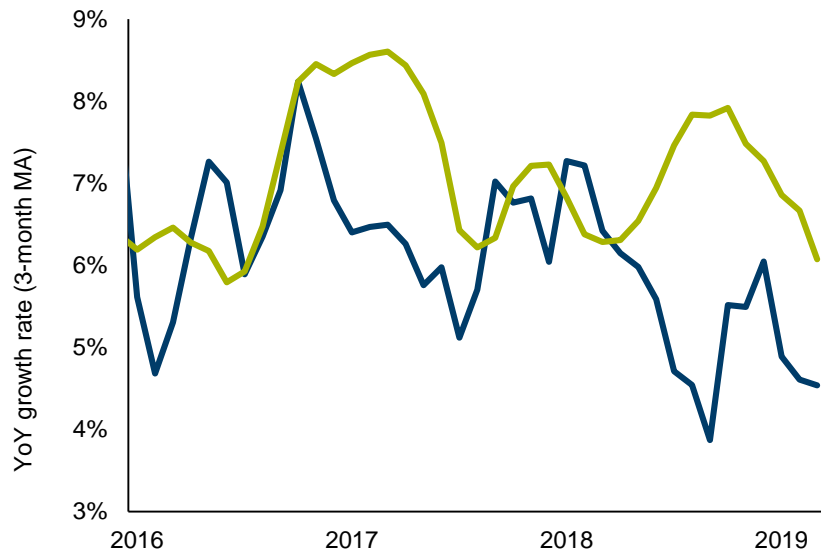


Growth components following similar trend to past downturns

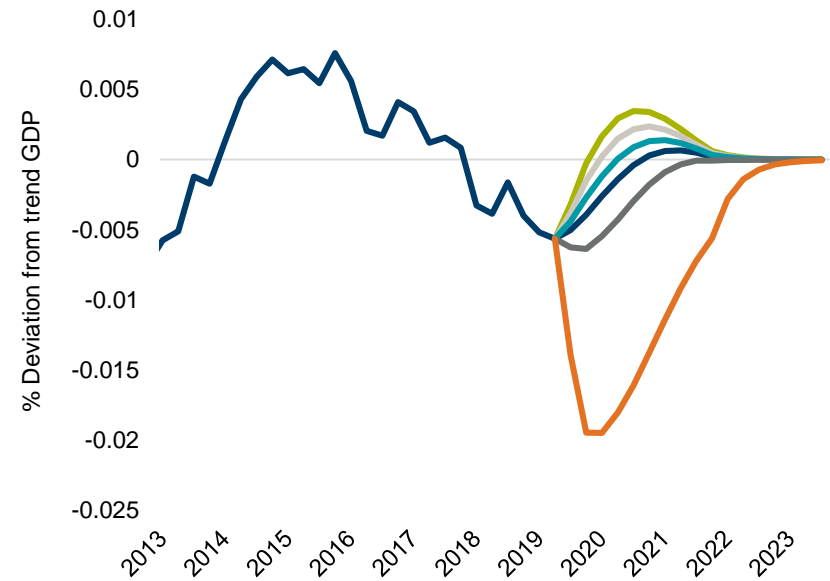


# China slowdown resumes and Brexit uncertainty persists

**Weakness evident in both new and old economies**



**The short-run GDP impact of various Brexit scenarios**



— Old economy index  
— New economy index

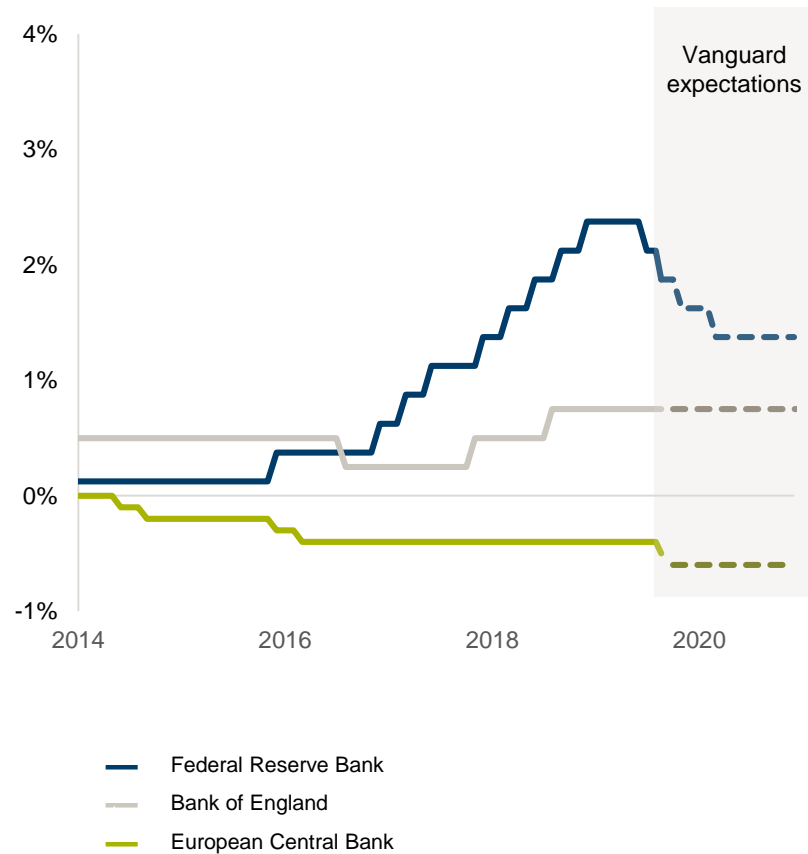
— Historical/baseline  
— No Brexit  
— Common market 2.0  
— Customs union  
— Free trade agreement  
— No deal

Notes: (LHS) Vanguard' decomposes the Chinese economy into two components: Old and New economy. Old Economy measures traditional developing economy industries such as textile manufacturing, commodities as well as state-owned enterprises. The new economy measures higher value-add industries such as advanced manufacturing, semiconductors, and middle-class consumption metrics (autos, housing, etc). (RHS) Estimates derived from a Vector Auto Regression (VAR) model that incorporates the cyclical component of UK GDP, the UK financial conditions index, the UK policy uncertainty index and other exogenous variables. Sources: Vanguard calculations using data from CEIC, Macrobond, Thomson Reuters, and Bloomberg

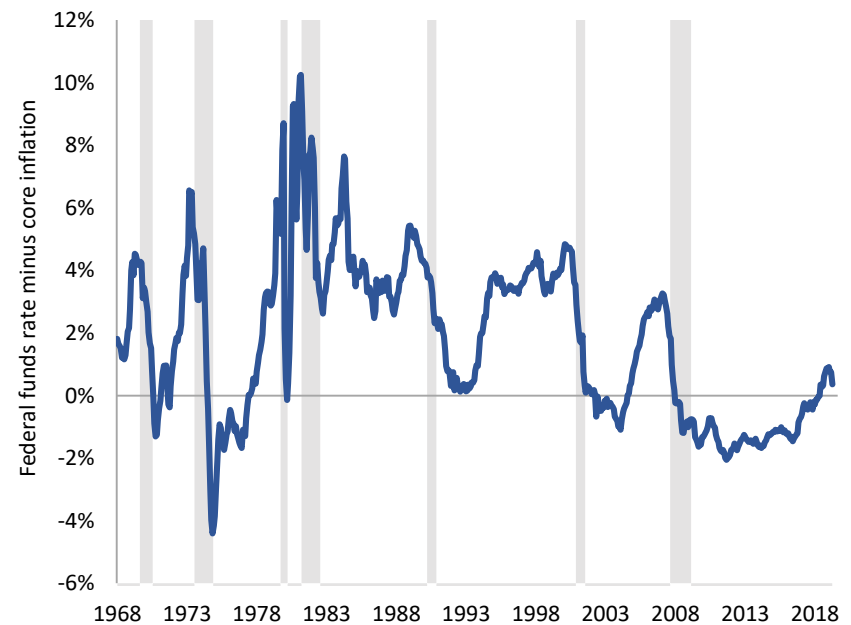


# Monetary policy turns dovish as the long end drives recent inversion

Fed to cut rates further, other banks on hold for now



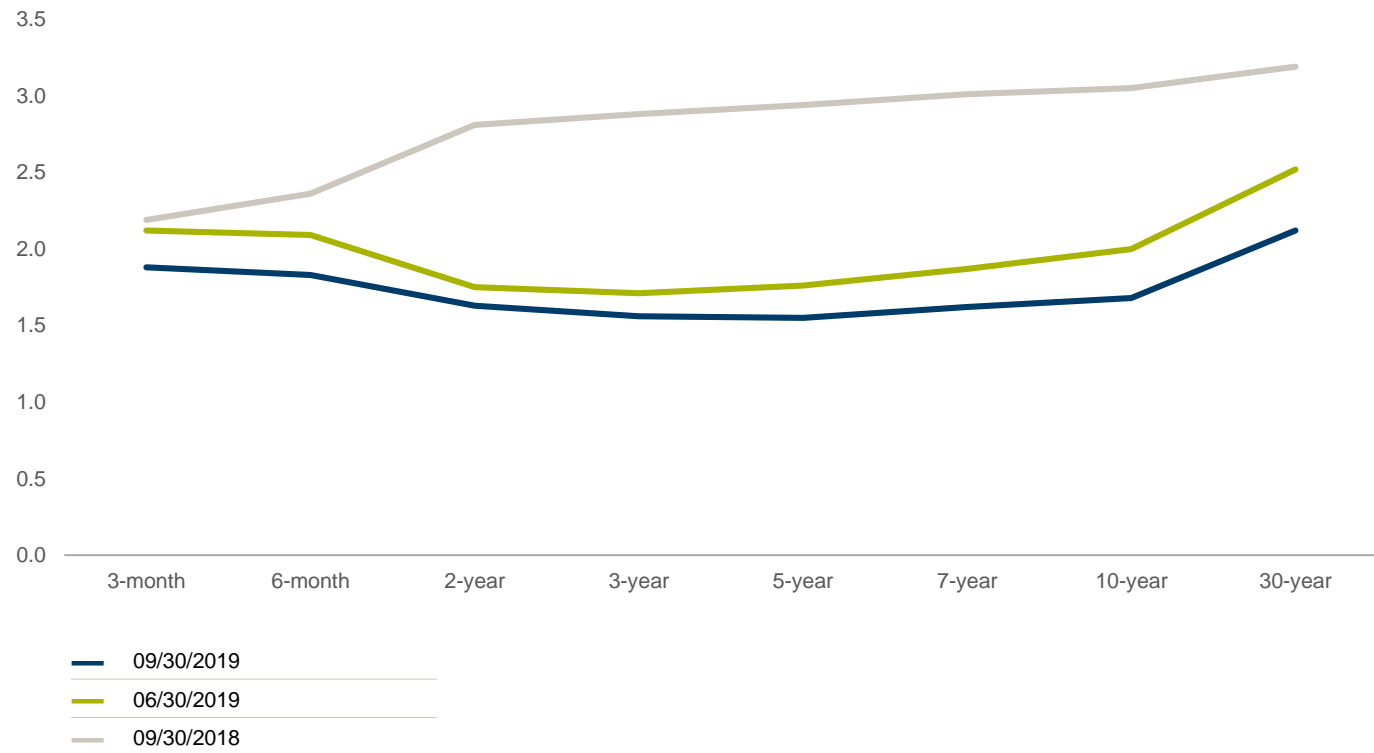
Traditionally, when yield curve inverts before recession, short-term real rates are significantly higher



Notes: LHS: The solid lines represent Central Bank policy rates as defined as the Federal Funds Target Rate, Bank of Japan Unsecured Overnight Call Rate, UK Bank of England Official Bank Rate, Euro Overnight Index Average. Dotted lines represent expected future rates calculated via the futures market. Data as of September 31<sup>st</sup>, 2019. (RHS) Shaded regions represent recessions. Data through 8/30/2019.  
Sources: Vanguard, using data from Bloomberg and St. Louis Federal Reserve. (RHS) Vanguard calculations, based on data from Thomson Reuters Datastream and Moody's Analytics Data Buffet; Federal Reserve Bank of New York.

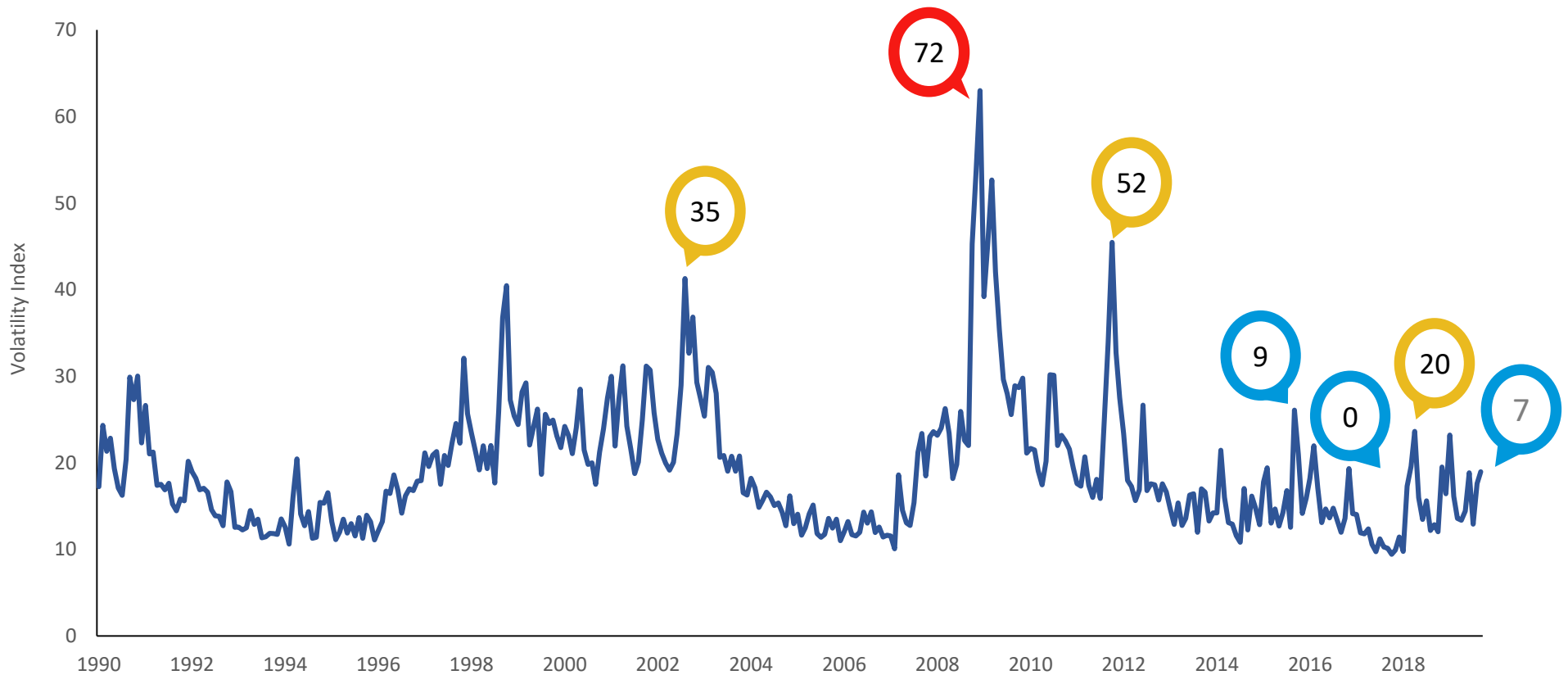
## U.S. Treasury yield curve — Overall shift lower with mild inversion

Yield (%) and change (bps)	3-month	6-month	2-year	3-year	5-year	7-year	10-year	30-year
<b>Current yield (%)</b>	<b>1.88</b>	<b>1.83</b>	<b>1.63</b>	<b>1.56</b>	<b>1.55</b>	<b>1.62</b>	<b>1.68</b>	<b>2.12</b>
3 mo. Δ	-24	-26	-12	-15	-21	-25	-32	-40
12 mo. Δ	-31	-53	-118	-132	-139	-139	-137	-107



## Putting volatility in perspective

### Volatility index and number of days of 2% moves in S&P 500 Index



Sources: Vanguard calculations based on data from Thomson Reuters.

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## Important information

**IMPORTANT: The projections or other information generated by the Vanguard Capital Markets Model® (VCMM) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. VCMM results will vary with each use and over time.**

The VCMM projections are based on a statistical analysis of historical data. Future returns may behave differently from the historical patterns captured in the VCMM. More importantly, the VCMM may be underestimating extreme negative scenarios unobserved in the historical period on which the model estimation is based.

The Vanguard Capital Markets Model® is a proprietary financial simulation tool developed and maintained by Vanguard's primary investment research and advice teams. The model forecasts distributions of future returns for a wide array of broad asset classes. Those asset classes include U.S. and international equity markets, several maturities of the U.S. Treasury and corporate fixed income markets, international fixed income markets, U.S. money markets, commodities, and certain alternative investment strategies. The theoretical and empirical foundation for the Vanguard Capital Markets Model is that the returns of various asset classes reflect the compensation investors require for bearing different types of systematic risk (beta). At the core of the model are estimates of the dynamic statistical relationship between risk factors and asset returns, obtained from statistical analysis based on available monthly financial and economic data from as early as 1960. Using a system of estimated equations, the model then applies a Monte Carlo simulation method to project the estimated interrelationships among risk factors and asset classes as well as uncertainty and randomness over time. The model generates a large set of simulated outcomes for each asset class over several time horizons. Forecasts are obtained by computing measures of central tendency in these simulations. Results produced by the tool will vary with each use and over time.

The Vanguard Lifecycle Model (VLCM) is designed to identify the product design that represents the best investment solution for a theoretical, representative investor who uses the target-date funds to accumulate wealth for retirement. The VLCM generates an optimal custom glide path for a participant population by assessing the trade-offs between the expected (median) wealth accumulation and the uncertainty about that wealth outcome, for thousands of potential glide paths. The VLCM does this by combining two set of inputs: the asset class return projections from the VCMM and the average characteristics of the participant population. Along with the optimal custom glide path, the VLCM generates a wide range of portfolio metrics such as a distribution of potential wealth accumulation outcomes, risk and return distributions for the asset allocation, and probability of ruin, such as the odds of participants depleting their wealth by age 95.

The VLCM inherits the distributional forecasting framework of the VCMM and applies to it the calculation of wealth outcomes from any given portfolio.

The most impactful drivers of glide path changes within the VLCM tend to be risk aversion, the presence of a defined benefit plan, retirement age, savings rate and starting compensation. The VLCM chooses among glide paths by scoring them according to the utility function described and choosing the one with the highest score. The VLCM does not optimize the levels of spending and contribution rates. Rather, the VLCM optimizes the glide path for a given customizable level of spending, growth rate of contributions and other plan sponsor characteristics.

A full dynamic stochastic life-cycle model, including optimization of a savings strategy and dynamic spending in retirement is beyond the scope of this framework.

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## Important information

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