



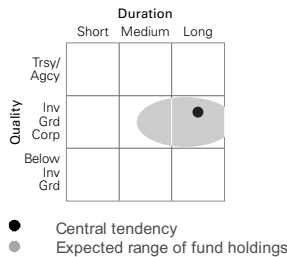
# Vanguard® Long-Term Investment-Grade Fund

## Product Summary

Long-term, high-quality bonds.  
Seeks high and sustainable current income.  
Fundamental, bottom-up credit selection process.  
Broadly diversified by issuer and industry sector.  
Moderate credit risk.

## Vanguard Style View: Long-Term Bond

Portfolio of long-term, investment-grade corporate bonds.



## Quarterly Commentary

Investor appetite for credit oscillated during the second quarter amid signs of decelerating global growth, flare-ups in trade disputes, heightened global tensions over Iran, and disagreement in the United Kingdom on how to exit the European Union. With the U.S. economic outlook deteriorating, Federal Reserve policymakers signaled a readiness to loosen monetary policy if needed to sustain the decade-long economic expansion. Expectations that the Fed might cut interest rates drove down U.S. Treasury yields, especially for intermediate-term bonds; this led to a consistent inversion in the yield curve from late May through quarter-end. The yield of the 10-year Treasury note finished the period down 40 basis points at 2.01%, below the 2.09% yield of the 3-month bill, which fell 29 basis points. Amid declining yields, bond prices rose and the Bloomberg Barclays US Aggregate Bond Index advanced 3.08%.

Vanguard Long-Term Investment-Grade Fund underperformed its benchmark, the Bloomberg Barclays U.S. Long Credit A or Better Index (+6.63%). The fund meaningfully outperformed the average return of its peer group (+3.75%). Notably, the peer group includes funds with intermediate-term durations, which benefited less from the decrease in yields. The fund's underperformance relative to its benchmark was driven by duration and credit spread exposures. A slight short duration posture in light of falling rates weighed on performance. Further, while an out-of-benchmark allocation to BBB-rated securities boosted returns, the fund's overall lower credit risk exposure hindered performance as credit spreads tightened. Offsetting some of this was strong security selection, especially within industrial sectors such as consumer noncyclical and communications.

For the 12 months ended June 30, the U.S. taxable bond market posted solid returns (+7.87%), with long-term bonds outperforming. The 10-year yield fell 68 basis points, and the 30-year yield fell 49 basis points. The fund outperformed its benchmark (+14.28%) and the average return of its peers (+8.80%). Positive security selection drove the outperformance, especially within industrial sectors such as capital goods and consumer noncyclical. Exposure to Pacific Gas & Electric, which underperformed in the fourth quarter amid liability claims from the California wildfires, held back returns somewhat.

## People and Process

Vanguard Long-Term Investment-Grade Fund seeks a high and sustainable level of current income by investing in investment-grade bonds and maintaining a dollar-weighted average maturity within a range that is five years shorter than or five years longer than that of its benchmark index. The fund generally invests at least 70% of its total assets in bonds rated A or higher and retains the flexibility to invest in U.S. Treasury, agency, and mortgage-backed securities. Portfolio duration adjusts based on the advisor's interest-rate outlook, yield-curve projections, and other factors. The fund maintains broad diversification across sectors and issuers, but will emphasize sectors and securities representing good relative value based on yield-spread relationships. The advisor conducts intensive fundamental research on each prospective issuer to support the investment process.

## Wellington Management Company LLP

The firm seeks high and sustainable current income by investing in long-term, high-quality bonds with moderate credit risk. Wellington attempts to add value through credit issue selection as well as through duration and yield curve management.

## Firm Description

Founded in 1928, Wellington Management Company LLP, Boston, Massachusetts, is among the nation's oldest and most respected institutional investment managers. The firm has advised Vanguard Long-Term Investment-Grade Fund since 1973.

### Investment Manager Biographies

Scott I. St. John, CFA, Senior Managing Director. Portfolio manager. Advised the fund since 2014. Worked in investment management since 1995. B.S., Cornell University. M.B.A., University of Rochester.

### Vanguard Fixed Income Group

Vanguard uses a hub-and-satellite structure and decision-making framework to manage fixed income securities, which promotes a consistently applied, robust process. The hub determines the macroeconomic outlook and determines the strategic allocations of the fund. The satellites specialize in specific areas of the fixed income market and construct portfolios using bottom-up research for issuer and security selections.

### Firm Description

Launched in 1975, The Vanguard Group, Malvern, Pennsylvania, is among the world's largest equity and fixed income managers. As chief investment officer, Gregory Davis, CFA, oversees Vanguard's Equity Index, Quantitative Equity, and Fixed Income Groups. John Hollyer, CFA, principal and global head of Fixed Income Group, has direct oversight responsibility for all money market, bond, and stable value portfolios managed by the Fixed Income Group. The Fixed Income Group offers actively managed investments in U.S. Treasury, corporate, and tax-exempt securities, as well as passively managed index portfolios. Since 1981, it has refined techniques in total-return management, credit research, and index sampling to seek to deliver consistent performance with transparency and risk control. The group has advised Vanguard Long-Term Investment-Grade Fund since 2013.

### Investment Manager Biographies

Daniel Shaykevich, Principal. Portfolio manager. Advised the fund since 2018. Worked in investment management since 2001. B.S., Carnegie Mellon University.

Samuel C. Martinez, CFA. Portfolio manager. Advised the fund since 2018. Worked in investment management since 2010. B.S., Southern Utah University. M.B.A., The Wharton School of the University of Pennsylvania.

### Investment Advisors

	Fund Assets Managed	
	%	\$ Million
Wellington Management Company LLP	85	15,933
Vanguard Fixed Income Group	10	1,775
Cash investments	5	929
<b>Total</b>	<b>100</b>	<b>18,637</b>

## Total Returns

	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Long-Term Investment-Grade Fund						
Investor Shares (7/9/1973)	6.45%	13.96%	14.65%	4.53%	6.08%	8.30%
Admiral Shares (2/12/2001)	6.48	14.02	14.77	4.64	6.19	8.42
Bloomberg Barclays U.S. Long Credit A or Better Bond Index	6.63	14.16	14.28	4.39	5.90	8.07
Corporate A-Rated Debt Funds Average	3.75	8.01	8.80	3.05	3.38	4.95

**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.

Note: Average fund returns are derived from data provided by Lipper, a Thomson Reuters Company. Admiral class shareholders are required to maintain specific minimum balances and meet other special criteria.

## Quarterly Returns: Investor Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Long-Term Invest.-Grade	Bloomberg Barclays Long Credit A/Better Index	Year-End
							Assets (Millions)
2019	7.05%	6.45%	—	—	—	—	\$4,535
2018	-4.45	-2.16	0.65%	-0.04%	-5.95%	-6.32%	3,946
2017	1.34	4.93	1.87	3.33	11.93	11.49	4,506
2016	6.77	6.05	1.82	-6.48	7.82	7.88	4,102
2015	3.07	-7.63	2.63	0.09	-2.21	-1.95	3,984
2014	6.34	4.62	0.82	5.36	18.17	17.22	4,482
2013	-0.61	-6.17	-0.30	1.25	-5.87	-6.79	3,962
2012	0.44	5.57	4.66	0.62	11.66	11.10	4,472
2011	0.11	3.15	11.05	2.19	17.18	18.42	4,121
2010	1.57	7.44	5.63	-3.95	10.71	10.02	3,836
2009	-8.28	8.83	11.33	-2.14	8.75	9.53	4,035

## Quarterly Returns: Admiral Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Long-Term Invest.-Grade	Bloomberg Barclays Long Credit A/Better Index	Year-End
							Assets (Millions)
2019	7.08%	6.48%	—	—	—	—	\$14,101
2018	-4.43	-2.14	0.68%	-0.02%	-5.86%	-6.32%	12,272
2017	1.37	4.96	1.90	3.35	12.04	11.49	12,051
2016	6.80	6.08	1.84	-6.46	7.92	7.88	10,275
2015	3.09	-7.61	2.65	0.11	-2.11	-1.95	9,843
2014	6.36	4.65	0.84	5.38	18.29	17.22	11,512
2013	-0.59	-6.15	-0.27	1.27	-5.77	-6.79	9,514
2012	0.46	5.60	4.68	0.65	11.77	11.10	9,375
2011	0.14	3.18	11.07	2.22	17.30	18.42	6,832
2010	1.60	7.48	5.66	-3.93	10.85	10.02	5,361
2009	-8.25	8.86	11.37	-2.11	8.89	9.53	3,837

## Fund Facts

	Investor Shares	Admiral Shares
Fund Number	0028	0568
Ticker	VWESX	VWETX
Newspaper Listing	LTIGrade	LTIGradeAdml
CUSIP Number	922031109	922031778
Assets (millions) (Total \$18,637)	\$4,535	\$14,101
Inception	7/9/1973	2/12/2001
Expense Ratio (as of 5/2019)	0.22%	0.12%

## Fixed Income Characteristics

	Long-Term Invest.-Grade	Bloomberg Barclays Long Credit A/Better Index
Number of bonds	903	1,164
Average effective maturity	21.4 years	23.1 years
Average duration	13.8 years	14.6 years
Short-term reserves	1.6%	—

## Distribution by Issuer

	% of Portfolio
Asset-Backed	0.0%
Commercial Mortgage-Backed	0.7
Finance	20.3
Foreign	0.8
Government Mortgage-Backed	1.6
Industrial	44.3
Short-Term Reserves	1.6
Treasury/Agency	6.4
Utilities	15.3
Other	9.0
<b>Total</b>	<b>100.0%</b>

## Volatility Measures

	R-Squared	Beta
BloomBarc US LongCredit A/Better Ix	0.99	1.01
BloomBarc US Aggregate Bond Index	0.85	2.18

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.

## Distribution by Credit Quality

	% of Portfolio
U.S. Government	7.9%
Aaa	7.6
Aa	17.8
A	59.1
Baa	6.3
Ba	0.0
B	0.0
Caa	0.0
Ca	0.0
C	0.0
Not Rated	1.3
<b>Total</b>	<b>100.0%</b>

Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). "NR" is used to classify securities for which a rating is not available. NR securities may include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts. U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings for each issue are obtained from Barclays using ratings derived from Moody's Investors Service (Moody's), Fitch Ratings (Fitch), and Standard & Poor's (S&P). When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

## Distribution by Effective Maturity

	% of Portfolio
Under 1 Year	8.5 %
1 to 3 Years	0.1 %
3 to 5 Years	0.5 %
5 to 7 Years	0.2 %
7 to 10 Years	3.0 %
10 to 20 Years	29.2 %
20 to 30 Years	53.6 %
Over 30 Years	4.9 %
<b>Total</b>	<b>100.0 %</b>



## Important information

*Visit our website, call 866-499-8473, or contact your broker to obtain a product description and prospectus or if available, a summary prospectus for Vanguard ETF<sup>TM</sup> Shares. Investment objectives, risks, charges, expenses, and other important information are contained in these documents; read and consider them carefully before investing. For more information about Vanguard funds, visit [www.vanguard.com](http://www.vanguard.com), or call 800-523-1036, to obtain a prospectus, or if available, a summary prospectus.*

*Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.*

All investing is subject to risk, including the possible loss of the money you invest.

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk.

Factor funds are subject to investment style risk, which is the chance that returns from the types of stocks in which the fund invests will trail returns from the stock market. Factor funds are subject to manager risk, which is the chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

London Stock Exchange Group companies includes FTSE International Limited ("FTSE"), Frank Russell Company ("Russell"), MTS Next Limited ("MTS"), and FTSE TMX Global Debt Capital Markets Inc ("FTSE TMX"). All rights reserved. "FTSE", "Russell", "MTS", "FTSE TMX" and "FTSE Russell" and other service marks and trademarks related to the FTSE or Russell indexes are trade marks of the London Stock Exchange Group companies and are used by FTSE, MTS, FTSE TMX and Russell under licence. All information is provided for information purposes only. No responsibility or liability can be accepted by the London Stock Exchange Group companies nor its licensors for any errors or for any loss from use of this publication. Neither the London Stock Exchange Group companies nor any of their licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index or the fitness or suitability of the index for any particular purpose to which it might be put.

The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities. For any such funds or securities, the prospectus or the Statement of Additional Information contains a more detailed description of the limited relationship MSCI has with The Vanguard Group and any related funds.

The index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by Vanguard. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); S&P® and S&P 500® are trademarks of S&P; and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Vanguard. Vanguard product(s) are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, or their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the index.

The Russell Indexes and Russell® are registered trademarks of Russell Investments and have been licensed for use by The Vanguard Group. The products are not sponsored, endorsed, sold or promoted by Russell Investments and Russell Investments makes no representation regarding the advisability of investing in the products.

CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

"Dividend Achievers" is a trademark of The NASDAQ OMX Group, Inc. (collectively, with its affiliates, "NASDAQ OMX") and has been licensed for use by The Vanguard Group, Inc. Vanguard mutual funds are not sponsored, endorsed, sold, or promoted by NASDAQ OMX and NASDAQ OMX makes no representation regarding the advisability of investing in the funds. NASDAQ OMX MAKES NO WARRANTIES AND BEARS NO LIABILITY WITH RESPECT TO THE VANGUARD MUTUAL FUNDS.

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. BARCLAYS® is a trademark and service mark of Barclays Bank Plc, used under license. Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL") (collectively, "Bloomberg"), or Bloomberg's licensors own all proprietary rights in the Bloomberg Barclays Indices.

The products are not sponsored, endorsed, issued, sold or promoted by "Bloomberg or Barclays". Bloomberg and Barclays make no representation or warranty, express or implied, to the owners or purchasers of the products or any member of the public regarding the advisability of investing in securities generally or in the products particularly or the ability of the Bloomberg Barclays Indices to track general bond market performance. Neither Bloomberg nor Barclays has passed on the legality or suitability of the products with respect to any person or entity. Bloomberg's only relationship to Vanguard and the products are the licensing of the Bloomberg Barclays Indices which are determined, composed and calculated by BISL without regard to Vanguard or the products or any owners or purchasers of the products. Bloomberg has no obligation to take the needs of the products or the owners of the products into consideration in determining, composing or calculating the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays is responsible for and has not participated in the determination of the timing of, prices at, or quantities of the products to be issued. Neither Bloomberg nor Barclays has any obligation or liability in connection with the administration, marketing or trading of the products.

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

CGS identifiers have been provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services, LLC, and are not for use or dissemination in a manner that would serve as a substitute for any CUSIP service. The CUSIP Database, © 2019 American Bankers Association. "CUSIP" is a registered trademark of the American Bankers Association.

U.S. government backing of Treasury or agency securities applies only to the underlying securities and does not prevent share-price fluctuations. Unlike stocks and bonds, U.S. Treasury bills are guaranteed as to the timely payment of principal and interest.

Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk.

Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the Fund name refers to the approximate year (the target date) when an investor in the Fund would retire and leave the work force. The Fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in the Target Retirement Fund is not guaranteed at any time, including on or after the target date.

Investment Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

© 2019 The Vanguard Group, Inc. All rights reserved. Managed Payout Fund U.S. Patent Nos. 8,180,695; 8,185,464; and 8,571,963. Vanguard ETFs U.S. Patent Nos. 6,879,964; 7,337,138; 7,720,749; 7,925,573; 8,090,646; 8,417,623; and 8,626,636. Vanguard Marketing Corporation, Distributor.