

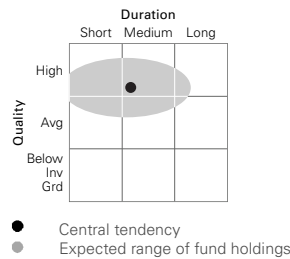
Vanguard® California Intermediate-Term Tax-Exempt Fund

Product Summary

Intermediate-term municipal bonds issued by California state, local, and regional government authorities. Conservatively managed, using fundamental research.

Vanguard Style View: Muni California Interm/Short

Portfolio of high-quality, intermediate-term California municipal bonds.



Quarterly Commentary

The second quarter of 2022 was another difficult period for global financial markets. Inflation readings across much of the world were at levels not seen in decades as supply chain bottlenecks persisted and the war in Ukraine increased pressure on rising energy and food prices. Central banks in many developed countries, including the United States and the United Kingdom, acted to counter inflation by raising short-term interest rates. The European Central Bank moved to end its asset purchases and indicated it would begin raising rates in July.

Yields of U.S. Treasuries rose across the maturity spectrum, with more movement at the shorter end of the curve, given the prospect of more rate hikes by the Federal Reserve. The broad U.S. investment-grade bond market declined close to 5% (as measured by the Bloomberg U.S. Aggregate Float Adjusted Index). The municipals market returned -2.94% (as measured by the Bloomberg Municipal Bond Index).

California municipal bond issuance in the second quarter of 2022 was up 15% compared with the first quarter, and year-over-year issuance was down 31%.

Over the quarter, the California muni yield curve steepened as short-term yields rose less than intermediate- and long-term yields. The yield of the 2-year municipal bond rose 21 basis points (bps), that of the 10-year bond rose 45 bps, and that of the 30-year bond rose 81 bps. (A basis point is one-hundredth of a percentage point.) Over the 12 months ended June 30, the curve shifted higher as all parts of the curve rose. Yields rose 182 bps for the 2-year bond, 176 bps for the 10-year bond, and 193 bps for the 30-year bond.

The benchmark for Vanguard California Intermediate-Term Tax-Exempt Fund, the Bloomberg Municipal California Intermediate Bond Index (-1.14%), outperformed the broader national Bloomberg Municipal Bond Index for the quarter.

The fund underperformed both its benchmark index and the average return of its peers (-2.32%) for the quarter. The fund holds bonds with maturities of up to 20 years, while those in the index have maturities of only up to 10 years.

An overweight to bonds with maturities of 10–20 years detracted most from returns, while an overweight to credit also hurt. By sector, the largest detractor was selection in local general obligations, an underweight in state general obligations, and an overweight in housing revenue; the largest contributor was selection in prerefunded securities and an underweight to electric/gas revenue.

For the 12 months ended June 30, the fund underperformed both its benchmark (-6.84%) and peer average (-7.46%). An overweight to bonds with maturities of 10–20 years detracted most from relative returns. By sector, the largest relative detractors were an underweight to state general obligations and selection in local general obligations and housing revenue bonds; the largest contributor was selection in prerefunded and transportation revenue bonds.

Note: Changes in yields may reflect rounding.

People and Process

Vanguard California Intermediate-Term Tax-Exempt Fund seeks moderate current income by investing at least 80% of its assets in municipal securities exempt from federal and California taxes. These municipal bonds are generally of intermediate maturity. The fund also may invest up to 20% in California alternative minimum tax bonds. The fund is conservatively managed, emphasizing well-diversified, highly-rated municipal securities. Although the fund has no limitation on the maturity of individual securities, its dollar-weighted average nominal maturity is expected to be between 6 and 12 years.

Vanguard Fixed Income Group

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. Sara Devereux, 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 California Intermediate-Term Tax-Exempt Fund since 1994.

Investment Manager Biographies

Adam M. Ferguson, CFA. Portfolio manager. Advised the fund since 2013. Worked in investment management since 2008. B.S., Wilmington University.

Total Returns

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
California Intermediate-Term Tax-Exempt Fund							
Investor Shares (3/4/1994)	0.17%	-2.51%	-7.95%	-7.68%	-0.34%	1.23%	2.26%
Admiral Shares (11/12/2001)	0.09	-2.49	-7.91	-7.61	-0.26	1.31	2.34
Bloomberg Municipal California Intermediate Bond Index	—	-1.14	-7.09	-6.84	-0.26	1.17	2.10
California Intermediate Municipal Debt Funds Average	—	-2.32	-7.55	-7.46	-0.66	0.86	1.59

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. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. 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	CA Inter.-Term Tax-Exempt	Year-End	
						Bloomberg Muni CA IT Bond Index	Assets (Millions)
2022	-5.57%	-2.51%	—	—	—	—	\$1,442
2021	-0.62	1.08	-0.25%	0.54%	0.74%	0.02%	1,824
2020	-0.50	2.58	1.20	1.36	4.70	4.92	1,812
2019	2.56	2.08	1.27	0.68	6.74	6.25	1,829
2018	-0.98	0.84	-0.12	1.46	1.19	1.69	1,517
2017	1.43	1.94	1.06	0.31	4.82	4.40	1,685
2016	1.67	2.15	-0.37	-3.53	-0.18	-0.74	1,539
2015	0.79	-0.74	1.74	1.37	3.18	3.29	1,504
2014	3.03	2.17	1.43	1.16	8.00	6.31	1,471
2013	0.64	-2.98	1.18	0.38	-0.83	-0.11	1,200
2012	1.81	1.61	2.36	0.70	6.63	5.14	1,344

Quarterly Returns: Admiral Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	CA Inter.-Term Tax-Exempt	Year-End	
						Bloomberg Muni CA IT Bond Index	Assets (Millions)
2022	-5.56%	-2.49%	—	—	—	—	\$13,962
2021	-0.60	1.10	-0.23%	0.56%	0.82%	0.02%	17,371
2020	-0.48	2.60	1.22	1.38	4.78	4.92	16,337
2019	2.58	2.10	1.29	0.70	6.82	6.25	14,824
2018	-0.95	0.86	-0.10	1.48	1.27	1.69	12,128
2017	1.45	1.97	1.09	0.33	4.93	4.40	11,386
2016	1.69	2.18	-0.34	-3.50	-0.08	-0.74	9,431
2015	0.81	-0.72	1.77	1.39	3.26	3.29	9,000
2014	3.05	2.19	1.45	1.18	8.09	6.31	7,391
2013	0.66	-2.96	1.20	0.40	-0.75	-0.11	5,618
2012	1.83	1.63	2.38	0.72	6.72	5.14	5,414

Fund Facts

	Investor Shares	Admiral Shares
Fund Number	0100	5100
Ticker	VCAIX	VCADX
Newspaper Listing	CAIT	CAITAdml
CUSIP Number	922021308	922021407
Assets (millions) (Total \$15,404)	\$1,442	\$13,962
Inception	3/4/1994	11/12/2001
Expense Ratio (as of 3/2022)	0.17%	0.09%

Fixed Income Characteristics

	CA Inter.-Term Tax-Exempt	Bloomberg Muni CA IT Bond Index
Number of bonds	5,641	2,056
Average stated maturity	8.8 years	7.2 years
Average duration	4.8 years	4.8 years
Short-term reserves	0.0%	—

Distribution by Issuer

	% of Portfolio
Asset-Backed	0.0%
Commercial Mortgage-Backed	0.0
Finance	0.0
Foreign	0.0
Government Mortgage-Backed	0.0
Industrial	0.0
Treasury/Agency	0.0
Utilities	0.0
Other	100.0
Total	100.0%

Volatility Measures

	R-Squared	Beta
Bloomberg Municipal CA Intermed Idx	0.96	1.01
Bloomberg Municipal Bond Index	0.99	0.89

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

Distribution by Credit Quality

	% of Portfolio
AAA	11.7%
AA	62.3
A	18.6
BBB	7.0
BB	0.4
B	0.0
Not Rated	0.0
Total	100.0%

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 Moody's and S&P, and the higher rating for each issue is used.

Distribution by Stated Maturity

	% of Portfolio
Under 1 Year	7.1%
1 to 3 Years	11.8%
3 to 5 Years	10.4%
5 to 10 Years	27.1%
10 to 20 Years	42.6%
20 to 30 Years	1.0%
Over 30 Years	0.0%
Total	100.0%

Important information

For more information about Vanguard funds or Vanguard ETFs, visit vanguard.com or call 800-523-1036 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

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.

The Factor Funds are subject to investment style risk, which is the chance that returns from the types of stocks in which a Factor Fund invests will trail returns from U.S. stock markets. The Factor Funds are also subject to manager risk, which is the chance that poor security selection will cause a Factor Fund to underperform its relevant benchmark or other funds with a similar investment objective, and sector risk, which is the chance that significant problems will affect a particular sector in which a Factor Fund invests, or that returns from that sector will trail returns from the overall stock market.

Vanguard Commodity Strategy Fund could lose all, or substantially all, of its investments in instruments linked to the returns of commodity futures or other commodity investments. Commodity futures trading is volatile, and even a small movement in market prices could cause large losses.

Investments in derivatives may involve risks different from, and possibly greater than, those of investments in the underlying securities or assets.

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