

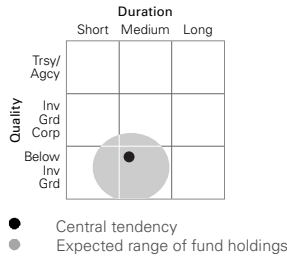
Vanguard® High-Yield Corporate Fund

Product Summary

High-yield corporate fixed income portfolio.
 Seeks high and sustainable current income.
 Fundamental credit selection process.
 Higher credit quality and lower return volatility relative to competitors.
 Broadly diversified by issuer and industry sector.

Vanguard Style View: High Yield Bond

Portfolio of corporate bonds rated below investment-grade.



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 advisor’s strategy favors issues of higher credit quality than the broader high-yield market in the belief that lower-quality bonds do not adequately compensate investors over the long term for the increased risk. The fund’s primary benchmark reflects this higher-quality tilt, containing only BB- and B-rated high-yield bonds and a small allocation to Treasury securities for liquidity.

For the quarter, Vanguard High-Yield Corporate Fund outperformed both its primary benchmark, the High-Yield Corporate Composite Index (–9.00%), and the average return of its peers (–9.62%). Strong security selection in the technology, pharmaceutical, and gaming sectors drove the outperformance. Selection in the energy and wirelines sectors detracted most from results.

For the 12 months ended June 30, the fund outperformed its benchmark (–12.07%) and the average return of its peers (–12.25%). Strong selection in the technology, wireless, and gaming sectors aided results. The fund’s underweight allocation to and selection in the energy sector detracted most from performance.

Note: Changes in yields may reflect rounding.

People and Process

Vanguard High-Yield Corporate Fund seeks a high and sustainable level of current income by investing primarily in below-investment-grade corporate securities offering attractive yields. The fund emphasizes higher credit quality and lower risk than are typical of other high-yield funds. Using a long-term, fundamental process, the advisors apply intensive credit analysis to identify high-yielding companies with stable or improving prospects. The fund maintains broad diversification in its below-investment-grade holdings. It also can hold investment-grade issues suffering from near-term weakness, bank loans, and U.S. Treasury bonds. The advisors’ strategy seeks to reduce default risk and limit capital depreciation potential. The resulting portfolio generally has a lower yield-to-maturity, higher average credit quality, and lower volatility than the Bloomberg U.S. Corporate High Yield Bond Index. The fund purchases securities paying cash coupons and avoids zero-coupon or pay-in-kind bonds.

Wellington Management Company LLP

The firm seeks to generate a high level of income and excess returns over a market cycle through a higher quality investment approach characterized by lower volatility and drawdowns relative to the broad high yield market. Wellington attempts to add value through a combination of bottom-up fundamental research capabilities and top-down perspectives while emphasizing downside risk protection, focusing on a longer-term time horizon, and mitigating transaction costs.

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 High-Yield Corporate Fund since 1978.

Investment Manager Biographies

Michael L. Hong, CFA, Senior Managing Director. Portfolio manager. Advised the fund since 2008. Worked in investment management since 1997. A.B., Harvard College.

Elizabeth H. Shortsleeve, Senior Managing Director. Portfolio manager. Advised the fund since 2022. Worked in investment management since 1998. B.A., Georgetown University. M.B.A., Tuck School of Business, Dartmouth College.

Vanguard Fixed Income Group

The firm seeks to generate a high level of income and excess returns over a market cycle through a disciplined risk-taking approach that combines a strategic defensive orientation, reflected by an up-in quality bias and focus on diversification, with a willingness to opportunistically add risk when valuations and conditions warrant. Vanguard attempts to add value primarily through an investment process focused on fundamental security selection to minimize default and credit loss exposure.

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. 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 High-Yield Corporate Fund since 2022.

Investment Manager Biographies

Michael Chang, CFA. Portfolio manager. Advised the fund since 2022. Worked in investment management since 2002. B. Com., University of British Columbia.

Investment Advisors

	Target Asset Allocation
	%
Wellington Management Company LLP	65
Vanguard Fixed Income Group	32
Cash investments	3
Total	100

Total Returns

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
High-Yield Corporate Fund							
Investor Shares (12/27/1978)	0.23%	-8.64%	-12.50%	-11.30%	-0.10%	1.84%	3.98%
Admiral Shares (11/12/2001)	0.13	-8.62	-12.46	-11.22	—	1.95	4.08
High-Yield Corporate Composite Index	—	-9.00	-13.42	-12.07	0.42	2.26	4.24
High Yield Funds Average	—	-9.62	-13.31	-12.25	-0.15	1.51	3.50

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: Consists of 95% Bloomberg U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg U.S. 1–5 Year Treasury Bond Index. 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	High-Yield Corporate	Year-End	
						High-Yield Corporate Composite Index	Assets (Millions)
2022	-4.22%	-8.64%	—	—	—	—	\$2,980
2021	-0.11	2.39	0.86%	0.50%	3.68%	4.35%	3,756
2020	-10.61	8.01	4.24	4.60	5.28	7.53	3,889
2019	7.56	3.13	1.84	2.50	15.79	14.61	4,073
2018	-1.47	0.34	2.65	-4.38	-2.96	-1.71	3,402
2017	2.22	2.54	2.01	0.08	7.02	6.60	4,171
2016	2.30	3.37	4.37	0.75	11.19	13.41	3,972
2015	2.01	-0.16	-2.71	-0.49	-1.39	-2.53	3,670
2014	2.74	2.19	-1.42	1.05	4.58	3.34	4,151
2013	1.79	-2.20	1.80	3.15	4.54	5.90	4,371
2012	4.33	2.13	4.15	3.04	14.36	14.25	5,638

Quarterly Returns: Admiral Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	High-Yield Corporate	Year-End	
						High-Yield Corporate Composite Index	Assets (Millions)
2022	-4.20%	-8.62%	—	—	—	—	\$21,134
2021	-0.09	2.42	0.88%	0.53%	3.78%	4.35%	25,952
2020	-10.59	8.04	4.27	4.63	5.39	7.53	24,626
2019	7.59	3.15	1.86	2.53	15.91	14.61	22,525
2018	-1.45	0.36	2.67	-4.36	-2.87	-1.71	18,300
2017	2.25	2.57	2.04	0.11	7.13	6.60	20,562
2016	2.32	3.40	4.40	0.78	11.30	13.41	17,009
2015	2.03	-0.13	-2.68	-0.46	-1.30	-2.53	13,320
2014	2.77	2.21	-1.39	1.07	4.69	3.34	12,698
2013	1.81	-2.17	1.83	3.18	4.64	5.90	11,840
2012	4.36	2.15	4.18	3.07	14.47	14.25	12,635

Fund Facts

	Investor Shares	Admiral Shares
Fund Number	0029	0529
Ticker	VWEHX	VWEAX
Newspaper Listing	HYCor	HYCorpAdml
CUSIP Number	922031208	922031760
Assets (millions) (Total \$24,114)	\$2,980	\$21,134
Inception	12/27/1978	11/12/2001
Expense Ratio (as of 5/2022)	0.23%	0.13%

Fixed Income Characteristics

	High-Yield Corporate	High-Yield Corporate Composite Index
Number of bonds	629	1,974
Average effective maturity	6.1 years	5.8 years
Average duration	4.3 years	4.3 years
Short-term reserves	0.9%	—

Distribution by Issuer

	% of Portfolio
Basic Industry	3.2%
Capital Goods	9.5
Communication	18.0
Consumer Cyclical	16.0
Consumer Non-Cyclical	14.6
Energy	10.3
Finance	8.8
Industrial Other	0.2
Reserves	-2.1
Technology	12.9
Transportation	1.3
Treasury / Agency	4.2
Utilities	1.1
Other Corporate	2.0
Total	100.0%

Volatility Measures

	R-Squared	Beta
High-Yield Corporate Composite Idx	0.99	0.97
Bloomberg US Corp High Yield Index	0.98	0.88

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	3.9%
Aa	0.0
Baa	5.3
Ba	55.2
B	31.4
Caa	4.3
Not Rated	-1.5
Cash	1.4
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 Bloomberg 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	7.6%
1 to 2 Years	3.8%
2 to 3 Years	6.6%
3 to 4 Years	7.6%
4 to 5 Years	10.2%
5 to 6 Years	18.0%
6 to 7 Years	15.9%
7 to 8 Years	11.5%
8 to 9 Years	9.4%
9 to 10 Years	4.7%
10 to 11 Years	0.0%
11 to 12 Years	0.4%
12 to 15 Years	0.4%
15 to 20 Years	1.1%
20 to 30 Years	2.8%
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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