



Vanguard®



Annual Report | January 31, 2018

Vanguard Dividend Growth Fund

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

Your Fund's Performance at a Glance

- Vanguard Dividend Growth Fund returned 23.65% for the 12 months ended January 31, 2018. It lagged its benchmark, the NASDAQ US Dividend Achievers Select Index, and also trailed the average return of its large-capitalization core fund peers.
- Stocks with growing dividend payments had a strong year, outpacing the results of the broad US Stock market, as measured by the Russell 3000 Index.
- For the period, the advisor's overweighted allocation to energy and underweighted allocation to industrials dampened the fund's performance compared with the benchmark.
- The advisor's stock selections were strong in consumer staples and financials but fell short in health care and industrials.
- For the ten years ended January 31, the Dividend Growth Fund recorded an average annual return of 10.12%, well ahead of its benchmark index and the average annual return of peer funds.

Total Returns: Fiscal Year Ended January 31, 2018

	Total Returns
Vanguard Dividend Growth Fund	23.65%
NASDAQ US Dividend Achievers Select Index	26.19
Large-Cap Core Funds Average	24.78

Large-Cap Core Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Total Returns: Ten Years Ended January 31, 2018

	Average Annual Return
Dividend Growth Fund	10.12%
Dividend Growth Spliced Index	8.69
Large-Cap Core Funds Average	8.32

For a benchmark description, see the Glossary.

Large-Cap Core Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

The figures shown represent past performance, which is not a guarantee of future results. (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.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost.

Expense Ratios

Your Fund Compared With Its Peer Group

	Fund	Peer Group Average
Dividend Growth Fund	0.30%	1.03%

The fund expense ratio shown is from the prospectus dated May 25, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended January 31, 2018, the fund's expense ratio was 0.26%. The peer-group expense ratio is derived from data provided by Lipper, a Thomson Reuters Company, and captures information through year-end 2017.

Peer group: Large-Cap Core Funds.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Shareholder,

When you start a new job, it's natural to reflect on both the past and the future. And so it is in my case, having begun my service as just the fourth chief executive in Vanguard's history.

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

Making a real difference

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. Over the past 25 years, for example, Vanguard has lowered our funds' asset-weighted average expense ratio

from 0.31% to 0.12%. And over the past decade, 94% of our funds have beaten the average annual return of their peers.¹

Focused on your success

Vanguard is built for Vanguard investors—as a client-owned company, we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my new role as CEO, I intend to keep this priority front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

As I write this, we've experienced a period of pronounced market volatility. Strong economic growth and budding signs of inflation have raised concerns about a more aggressive Federal Reserve. Although volatility can test investors' nerves, we sometimes think of this as "Vanguard weather"—a time when having a disciplined, low-cost, and long-term approach to investment management serves investors well.

Market Barometer

	Average Annual Total Returns Periods Ended January 31, 2018		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	25.84%	14.28%	15.72%
Russell 2000 Index (Small-caps)	17.18	12.12	13.33
Russell 3000 Index (Broad U.S. market)	25.16	14.11	15.53
FTSE All-World ex US Index (International)	29.63	10.20	7.48
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	2.15%	1.14%	2.01%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	3.52	1.97	2.69
Citigroup Three-Month U.S. Treasury Bill Index	0.91	0.41	0.25
CPI			
Consumer Price Index	2.07%	1.98%	1.48%

The performance data shown represent past performance, which is not a guarantee of future results.

¹ For the ten-year period through December 31, 2017, 9 of 9 Vanguard money market funds, 56 of 60 bond funds, 21 of 22 balanced funds, and 131 of 140 stock funds, or 217 of 231 Vanguard funds, outperformed their peer-group averages. Sources: Vanguard, based on data from Lipper, a Thomson Reuters Company.

Steady, time-tested guidance

Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make Vanguard the best place for you to invest through our high-quality funds and services, advice and

guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,

A handwritten signature in black ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mortimer J. Buckley
President and Chief Executive Officer
February 15, 2018

Advisor's Report

For the 12 months ended January 31, 2018, Vanguard Dividend Growth Fund returned 23.65% behind the 26.19% return of the NASDAQ US Dividend Achievers Select Index.

The investment environment

U.S. equities, as measured by the S&P 500 Index, rose 26.41%, boosted by strong economic fundamentals and the market's continued confidence in tax reform, deregulation, and infrastructure spending. Non-U.S. equities also performed well, returning 28.20% as measured by the MSCI EAFE Index. Broad-based economic growth, supportive monetary policy, and benign inflation helped maintain a bullish sentiment globally.

By most measures, the fund's relative performance during the fiscal year was challenged. Companies that demonstrated strong current earnings momentum did well, as did those that have become leaders in disintermediating large parts of the global economy (retail, drug distribution, global logistics).

Many of our holdings sit squarely in opposition to these headwinds or are in the crosshairs of disintermediation. Some of these trends will persist, and in those instances we'll take appropriate action. But most will evolve along with a changing investment backdrop influenced by tax reform, geopolitical discord, higher rates, and tighter global policy.

We are pleased with the fund's absolute performance and its consistency with our (and hopefully your) expectations in the current environment, but we remind ourselves that this is a long game. The story line of consistent dividend growth is a time-tested winner, and we intend on writing many good chapters in the years ahead.

The fund's shortfalls

Sector allocation, a residual of our bottom-up stock selection process, weighed most on relative performance during the period, particularly our overweighted allocation to energy, underweighting of industrials, and a frictional cash position in an upward-trending market.

From a security selection perspective, holdings in health care and industrials hurt returns the most.

Our largest absolute detractors included Schlumberger (energy), Walgreens (consumer staples), Public Storage (real estate), and Cardinal Health (health care).

Schlumberger, the world's largest oilfield services company, suffered from both pricing and cyclical headwinds. It had less exposure to the United States than some of its competitors, and U.S. growth has lately been an integral part of oilfield growth. International revenues were also down in 2017. However, we regard Schlumberger as a high-quality company and a leader in an ever-consolidating

arena. It was one of the few in its industry to produce free cash flow and returns on capital at the bottom of the cycle. We maintain an allocation to the stock based on the cyclically depressed fundamentals and expected growth from its international business.

U.S.-based global drug distributor Cardinal Health underperformed amid ongoing generic price deflation and heightened competition in the independent pharmacy market. But we believe the drug distribution industry should continue to profit from the generic drug wave. Also, Cardinal Health is well-positioned to benefit from the long-term demographic trend of people living longer and, thus, boosting sales volume. We find the current valuation attractive and still hold the stock.

Although we would prefer that all stocks in the fund perform well at all times, some will inevitably lag at one point or another. We assess a stock's contribution to the fund over a longer period, with a consistent focus on dividend action.

The fund's successes

Stock selection in financials, consumer staples, energy, and information technology were the biggest contributors over the fiscal year. Not owning utilities also helped.

Among the top absolute contributors were Microsoft (information technology), Visa (information technology), Nike (consumer discretionary), and Accenture (information technology).

Visa, also a top relative contributor, gained after reporting better-than-expected quarterly revenue and earnings from its European business and solid growth in payments and processed transactions. We believe the market underestimates Visa's ability to sustain its returns on capital. The company has robust free cash flow, which should enable it to return more cash to shareholders. We also expect its European operations to be a major earnings driver over time.

Nike announced strategic goals to double growth innovation, speed, and direct relationships. We believe the company's management is one of the strongest in its industry. It understands the direction of retail in the next five years—and is acting aggressively to turn others' disruption into Nike's gain. We believe the company is one of the world's great franchises.

On a "run-rate" basis, the fund is expected to produce asset-weighted dividend growth of 6.1% for calendar year 2018. Our run-rate calculation is a rough estimate of potential dividend growth: It takes a company's current

declared dividend rate, annualizes it, and compares it with the previous calendar year's actual dividend rate. This calculation does not accurately reflect dividend increases that may be announced later in the year, nor does it take into account the dollar amounts of the increases. Therefore, companies in the early stages of dividend growth tend to show large percentage increases even if their absolute cash dividend is small.

The run-rate calculation also is not an accurate reflection of growth in the fund's dividend payments to shareholders. Despite these shortcomings, we view this estimate as a reasonable report card.

Holdings with recent notable dividend run-rate increases included Honeywell and Accenture. On a run-rate basis, both increased their dividend by just under 10%, in line with their long histories of steady dividend growth.

The fund's positioning and investment strategy

Our primary objective is to identify companies that we believe will steadily and reliably increase their dividend payments. We seek to achieve this by carefully building Vanguard Dividend

Growth Fund one stock at a time, giving central consideration to each company's dividend growth prospects. Our industry and sector weightings are a result of this process. At the end of the period, the fund had significant absolute weights in industrials, consumer staples, and health care but less exposure (below 5%) to real estate, energy, and materials. We held no stocks in utilities or telecommunication services.

Working on behalf of the fund's shareholders, we are constantly balancing performance with expectations. Do we better serve shareholders by delivering predictable results even though that can lead to stretches of weak relative performance, or does it pay to be focused on beating the index every day? Although there is some virtue to the latter approach, we prefer to look through a longer-term lens. With that mindset, we accept periods of relative underperformance in the face of factor headwinds.

Donald J. Kilbride
Senior Managing Director and
Equity Portfolio Manager

Wellington Management Company LLP

February 12, 2018

Results of Proxy Voting

At a special meeting of shareholders on November 15, 2017, fund shareholders approved the following proposals:

Proposal 1—Elect trustees for the fund.*

The individuals listed in the table below were elected as trustees for the fund. All trustees with the exception of Ms. Mulligan, Ms. Raskin, and Mr. Buckley (each of whom already serves as a director of The Vanguard Group, Inc.) served as trustees to the funds prior to the shareholder meeting.

Trustee	For	Withheld	Percentage For
Mortimer J. Buckley	2,503,465,695	87,490,567	96.6%
Emerson U. Fullwood	2,500,061,682	90,894,579	96.5%
Amy Gutmann	2,498,574,662	92,381,600	96.4%
JoAnn Heffernan Heisen	2,502,785,690	88,170,572	96.6%
F. Joseph Loughrey	2,501,562,489	89,393,773	96.6%
Mark Loughridge	2,503,584,454	87,371,807	96.6%
Scott C. Malpass	2,499,755,273	91,200,989	96.5%
F. William McNabb III	2,498,986,712	91,969,550	96.5%
Deanna Mulligan	2,503,553,783	87,402,478	96.6%
André F. Perold	2,453,401,594	137,554,668	94.7%
Sarah Bloom Raskin	2,500,665,258	90,291,004	96.5%
Peter F. Volanakis	2,501,344,074	89,612,188	96.5%

* Results are for all funds within the same trust.

Proposal 3—Approve a manager-of-managers arrangement with wholly owned subsidiaries of Vanguard.

This arrangement enables Vanguard or the fund to enter into and materially amend investment advisory arrangements with wholly owned subsidiaries of Vanguard, subject to the approval of the fund's board of trustees and any conditions imposed by the Securities and Exchange Commission (SEC), while avoiding the costs and delays associated with obtaining future shareholder approval. The ability of the fund to operate in this manner is contingent upon the SEC's approval of a pending application for an order of exemption.

Vanguard Fund	For	Abstain	Against	Broker Non-Votes	Percentage For
Dividend Growth Fund	659,927,231	32,274,745	48,511,070	133,305,474	75.5%

Dividend Growth Fund

Fund Profile

As of January 31, 2018

Portfolio Characteristics

	Fund	NASDAQ US Dividend Achievers Select Index	DJ U.S. Total Market FA Index
Number of Stocks	45	177	3,765
Median Market Cap	\$90.5B	\$66.1B	\$73.6B
Price/Earnings Ratio	24.7x	26.4x	23.8x
Price/Book Ratio	4.7x	4.4x	3.2x
Return on Equity	22.2%	22.0%	14.9%
Earnings Growth Rate	4.2%	4.4%	9.1%
Dividend Yield	1.9%	1.8%	1.7%
Foreign Holdings	5.0%	0.0%	0.0%
Turnover Rate	15%	—	—
Ticker Symbol	VDIGX	—	—
Expense Ratio ¹	0.30%	—	—
30-Day SEC Yield	1.80%	—	—
Short-Term Reserves	1.7%	—	—

Volatility Measures

	Fund	NASDAQ US Dividend Achievers Select Index	DJ U.S. Total Market FA Index
R-Squared		0.94	0.87
Beta		0.96	0.83

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Sector Diversification (% of equity exposure)

	Fund	NASDAQ US Dividend Achievers Select Index	DJ U.S. Total Market FA Index
Consumer Discretionary	13.1%	8.8%	12.9%
Consumer Staples	16.6	16.8	7.0
Energy	4.3	0.0	5.7
Financials	12.2	9.8	15.2
Health Care	15.4	13.9	13.5
Industrials	19.1	29.3	10.9
Information Technology	10.6	13.6	23.3
Materials	4.1	6.1	3.4
Real Estate	4.6	0.0	3.6
Telecommunication Services	0.0	0.1	1.8
Utilities	0.0	1.6	2.7

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.

Ten Largest Holdings (% of total net assets)

NIKE Inc.	Footwear	4.1%
Microsoft Corp.	Systems Software	3.9
Chubb Ltd.	Property & Casualty Insurance	3.1
Union Pacific Corp.	Railroads	2.8
Accenture plc	IT Consulting & Other Services	2.8
TJX Cos. Inc.	Apparel Retail	2.7
United Parcel Service Inc.	Air Freight & Logistics	2.7
Lockheed Martin Corp.	Aerospace & Defense	2.6
Colgate-Palmolive Co.	Household Products	2.6
Canadian National Railway Co.	Railroads	2.5
Top Ten		29.8%

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

¹ The expense ratio shown is from the prospectus dated May 25, 2017, and represents estimated costs for the current fiscal year. For the fiscal year ended January 31, 2018, the expense ratio was 0.26%.

Dividend Growth Fund

Investment Focus

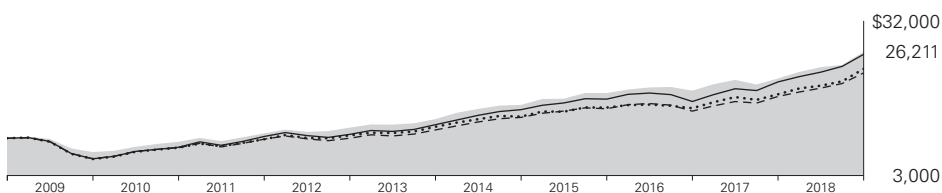
Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (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.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares.

Cumulative Performance: January 31, 2008, Through January 31, 2018

Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended January 31, 2018			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
— Dividend Growth Fund	23.65%	14.05%	10.12%	\$26,211
..... Dividend Growth Spliced Index	26.19	13.62	8.69	23,005
- - - Large-Cap Core Funds Average	24.78	14.01	8.32	22,242
— Dow Jones U.S. Total Stock Market Float Adjusted Index	25.16	15.48	9.91	25,724

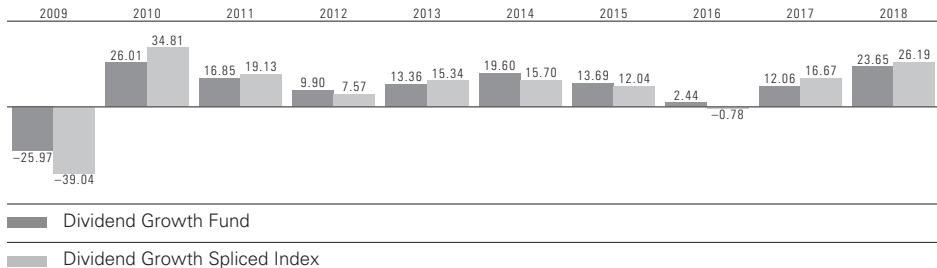
For a benchmark description, see the Glossary.

Large-Cap Core Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

See Financial Highlights for dividend and capital gains information.

Dividend Growth Fund

Fiscal-Year Total Returns (%): January 31, 2008, Through January 31, 2018



For a benchmark description, see the Glossary.

Average Annual Total Returns: Periods Ended December 31, 2017

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years
Dividend Growth Fund	5/15/1992	19.33%	14.14%	8.98%

Financial Statements

Statement of Net Assets

As of January 31, 2018

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (98.1%)			Johnson & Johnson	4,842,227	669,148
Consumer Discretionary (12.8%)			McKesson Corp.	3,480,585	587,801
NIKE Inc. Class B	20,738,411	1,414,774	Amgen Inc.	3,139,995	584,196
TJX Cos. Inc.	11,872,667	953,613	Danaher Corp.	3,400,598	344,413
McDonald's Corp.	3,971,736	679,723			5,241,942
VF Corp.	6,514,481	528,585	Industrials (18.7%)		
Starbucks Corp.	8,896,501	505,410	Union Pacific Corp.	7,208,127	962,285
Walt Disney Co.	3,474,512	377,575	United Parcel Service Inc. Class B	7,331,106	933,396
		4,459,680	Lockheed Martin Corp.	2,565,152	910,244
Consumer Staples (16.3%)			Canadian National Railway Co.	11,015,480	882,850
Colgate-Palmolive Co.	12,021,897	892,506	Honeywell International Inc.	4,894,808	781,554
PepsiCo Inc.	7,250,238	872,204	Northrop Grumman Corp.	2,116,052	720,579
Coca-Cola Co.	18,302,917	871,036	General Dynamics Corp.	3,123,587	694,936
Costco Wholesale Corp.	4,437,657	864,766	United Technologies Corp.	4,477,121	617,888
Diageo plc	23,852,928	858,535			6,503,732
Walgreens Boots Alliance Inc.	6,928,227	521,418	Information Technology (10.4%)		
CVS Health Corp.	5,390,730	424,197	Microsoft Corp.	14,094,662	1,339,134
Procter & Gamble Co.	4,019,669	347,058	Accenture plc Class A	5,957,222	957,326
		5,651,720	Visa Inc. Class A	6,989,047	868,249
Energy (4.2%)			Automatic Data Processing Inc.	3,556,861	439,735
Schlumberger Ltd.	10,173,917	748,597			3,604,444
Exxon Mobil Corp.	8,097,769	706,935	Materials (4.0%)		
		1,455,532	Praxair Inc.	4,767,719	769,939
Financials (12.0%)			Ecolab Inc.	4,450,596	612,758
Chubb Ltd.	6,827,470	1,066,110			1,382,697
PNC Financial Services Group Inc.	5,554,644	877,745	Real Estate (4.6%)		
American Express Co.	7,961,764	791,399	American Tower Corp.	5,496,301	811,804
Marsh & McLennan Cos. Inc.	9,146,784	763,939	Public Storage	3,924,694	768,298
BlackRock Inc.	1,201,090	674,772			1,580,102
		4,173,965	Total Common Stocks (Cost \$21,340,456)		34,053,814
Health Care (15.1%)					
UnitedHealth Group Inc.	3,555,748	841,930			
Medtronic plc	9,060,021	778,165			
Cardinal Health Inc.	10,616,371	762,149			
Merck & Co. Inc.	11,377,889	674,140			

Dividend Growth Fund

	Face Amount (\$000)	Market Value* (\$000)
Temporary Cash Investments (1.7%)		
Repurchase Agreements (1.2%)		
RBS Securities, Inc. 1.300%, 2/1/18 (Dated 1/31/18, Repurchase Value \$224,508,000, collateralized by U.S. Treasury Note/Bond 0.625%, 4/30/18, with a value of \$228,991,000)	224,500	224,500
Societe Generale 1.320%, 2/1/18 (Dated 1/31/18, Repurchase Value \$202,507,000, collateralized by Federal Home Loan Mortgage Corp. 3.500%–4.500%, 4/1/47–9/1/47, Federal National Mortgage Assn. 2.500%–4.500%, 10/1/30–8/1/46, and U.S. Treasury Note/Bond 1.250%–2.500%, 1/31/20–5/15/24, with a value of \$206,550,000)	202,500	202,500
		<u>427,000</u>
U.S. Government and Agency Obligations (0.5%)		
United States Treasury Bill, 1.266%, 3/8/18	150,000	149,803
Total Temporary Cash Investments (Cost \$576,816)		576,803
Total Investments (99.8%) (Cost \$21,917,272)		34,630,617

	Amount (\$000)
Other Assets and Liabilities (0.2%)	
Other Assets	
Investment in Vanguard	1,821
Receivables for Investment Securities Sold	354,421
Receivables for Accrued Income	36,085
Receivable for Capital Shares Issued	6,288
Other Assets	638
Total Other Assets	399,253
Liabilities	
Payables for Investment Securities Purchased	(263,277)
Payables to Investment Advisor	(7,723)
Payables for Capital Shares Redeemed	(25,254)
Payables to Vanguard	(27,124)
Other Liabilities	(76)
Total Liabilities	(323,454)
Net Assets (100%)	
Applicable to 1,246,074,562 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	34,706,416
Net Asset Value Per Share	\$27.85

At January 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	21,652,476
Undistributed Net Investment Income	9,965
Accumulated Net Realized Gains	330,073
Unrealized Appreciation (Depreciation)	
Investment Securities	12,713,345
Foreign Currencies	557
Net Assets	34,706,416

• See Note A in Notes to Financial Statements.

Statement of Operations

	Year Ended January 31, 2018
	(\$000)
Investment Income	
Income	
Dividends ¹	721,716
Interest ²	5,682
Securities Lending—Net	160
Total Income	727,558
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	42,135
Performance Adjustment	(3,906)
The Vanguard Group—Note C	
Management and Administrative	38,684
Marketing and Distribution	4,822
Custodian Fees	263
Auditing Fees	35
Shareholders' Reports and Proxy	1,237
Trustees' Fees and Expenses	53
Total Expenses	83,323
Net Investment Income	644,235
Realized Net Gain (Loss)	
Investment Securities Sold ²	1,295,078
Foreign Currencies	248
Realized Net Gain (Loss)	1,295,326
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ²	4,952,995
Foreign Currencies	906
Change in Unrealized Appreciation (Depreciation)	4,953,901
Net Increase (Decrease) in Net Assets Resulting from Operations	6,893,462

1 Dividends are net of foreign withholding taxes of \$3,676,000.

2 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$0, (\$43,000), and \$0, respectively.

Statement of Changes in Net Assets

	Year Ended January 31,	
	2018 (\$000)	2017 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	644,235	575,480
Realized Net Gain (Loss)	1,295,326	402,969
Change in Unrealized Appreciation (Depreciation)	4,953,901	2,296,300
Net Increase (Decrease) in Net Assets Resulting from Operations	6,893,462	3,274,749
Distributions		
Net Investment Income	(629,709)	(579,527)
Realized Capital Gain ¹	(1,054,378)	(281,098)
Total Distributions	(1,684,087)	(860,625)
Capital Share Transactions		
Issued	1,782,139	6,868,116
Issued in Lieu of Cash Distributions	1,514,816	770,864
Redeemed	(4,432,447)	(5,052,269)
Net Increase (Decrease) from Capital Share Transactions	(1,135,492)	2,586,711
Total Increase (Decrease)	4,073,883	5,000,835
Net Assets		
Beginning of Period	30,632,533	25,631,698
End of Period ²	34,706,416	30,632,533

¹ Includes fiscal 2018 and 2017 short-term gain distributions totaling \$111,474,000 and \$57,257,000, respectively. Short-term gain distributions are treated as ordinary income dividends for tax purposes.

² Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$9,965,000 and (\$4,809,000).

Financial Highlights

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$23.72	\$21.78	\$22.47	\$20.45	\$17.52
Investment Operations					
Net Investment Income	.514 ¹	.446	.442	.430	.385
Net Realized and Unrealized Gain (Loss) on Investments	4.985	2.165	.145	2.378	3.033
Total from Investment Operations	5.499	2.611	.587	2.808	3.418
Distributions					
Dividends from Net Investment Income	(.509)	(.450)	(.432)	(.440)	(.384)
Distributions from Realized Capital Gains	(.860)	(.221)	(.845)	(.348)	(.104)
Total Distributions	(1.369)	(.671)	(1.277)	(.788)	(.488)
Net Asset Value, End of Period	\$27.85	\$23.72	\$21.78	\$22.47	\$20.45
Total Return²	23.65%	12.06%	2.44%	13.69%	19.60%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$34,706	\$30,633	\$25,632	\$23,067	\$19,137
Ratio of Total Expenses to Average Net Assets ³	0.26%	0.30%	0.33%	0.32%	0.31%
Ratio of Net Investment Income to Average Net Assets	2.00%	1.93%	1.95%	1.94%	2.03%
Portfolio Turnover Rate	15%	27%	26%	23%	18%

1 Calculated based on average shares outstanding.

2 Total returns do not include account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable account service fees.

3 Includes performance-based investment advisory fee increases (decreases) of (0.01%), 0.03%, 0.04%, 0.03%, and 0.02%.

Notes to Financial Statements

Vanguard Dividend Growth Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The fund consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the fund's pricing time. When fair-value pricing is employed, the prices of securities used by a fund to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. **Foreign Currency:** Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the fund's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. **Repurchase Agreements:** The fund enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the fund under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The fund further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

4. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2015–2018), and has concluded that no provision for federal income tax is required in the fund's financial statements.

5. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date.

6. **Securities Lending:** To earn additional income, the fund lends its securities to qualified institutional borrowers. Security loans are subject to termination by the fund at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled on the next business day. The fund further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the fund may experience delays and costs in recovering the securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the fund is entitled to all distributions made on or in respect of the loaned securities.

7. **Credit Facility:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at January 31, 2018, or at any time during the period then ended.

8. **Other:** Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

B. Wellington Management Company LLP provides investment advisory services to the fund for a fee calculated at an annual percentage rate of average net assets. The basic fee is subject to quarterly adjustments based on the fund's performance relative to the NASDAQ US Dividend Achievers Select Index for the preceding three years. For the year ended January 31, 2018, the investment advisory fee represented an effective annual basic rate of 0.13% of the fund's average net assets before a net decrease of \$3,906,000 (0.01%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the fund's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At January 31, 2018, the fund had contributed to Vanguard capital in the amount of \$1,821,000, representing 0.01% of the fund's net assets and 0.73% of Vanguard's capitalization. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the fund's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the fund's investments as of January 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
Common Stocks	33,195,279	858,535	—
Temporary Cash Investments	—	576,803	—
Total	33,195,279	1,435,338	—

E. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

Dividend Growth Fund

The fund used a tax accounting practice to treat a portion of the price of capital shares redeemed during the year as distributions from realized capital gains. Accordingly, the fund has reclassified \$61,054,000 from accumulated net realized gains to paid-in capital.

For tax purposes, at January 31, 2018, the fund had \$115,175,000 of ordinary income and \$249,452,000 of long-term capital gains available for distribution.

At January 31, 2018, the cost of investment securities for tax purposes was \$21,917,272,000. Net unrealized appreciation of investment securities for tax purposes was \$12,713,345,000, consisting of unrealized gains of \$12,769,594,000 on securities that had risen in value since their purchase and \$56,249,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the year ended January 31, 2018, the fund purchased \$4,889,281,000 of investment securities and sold \$7,509,943,000 of investment securities, other than temporary cash investments.

G. Capital shares issued and redeemed were:

	Year Ended January 31,	
	2018	2017
	Shares	Shares
	(000)	(000)
Issued	69,235	298,231
Issued in Lieu of Cash Distributions	58,088	33,034
Redeemed	(172,613)	(216,755)
Net Increase (Decrease) in Shares Outstanding	(45,290)	114,510

H. Management has determined that no material events or transactions occurred subsequent to January 31, 2018, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Specialized Funds and Shareholders of Vanguard Dividend Growth Fund

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Vanguard Dividend Growth Fund (one of the funds constituting Vanguard Specialized Funds, referred to hereafter as the “Fund”) as of January 31, 2018, the related statement of operations for the year ended January 31, 2018, the statement of changes in net assets for each of the two years in the period ended January 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended January 31, 2018 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of January 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended January 31, 2018 and the financial highlights for each of the five years in the period ended January 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of January 31, 2018 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 15, 2018

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

Special 2017 tax information (unaudited) for Vanguard Dividend Growth Fund

This information for the fiscal year ended January 31, 2018, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$997,088,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

For nonresident alien shareholders, 100% of short-term capital gain dividends distributed by the fund are qualified short-term capital gains.

The fund distributed \$661,858,000 of qualified dividend income to shareholders during the fiscal year.

For corporate shareholders, 72.3% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

Your Fund's After-Tax Returns

This table presents returns for your fund both before and after taxes. The after-tax returns are shown in two ways: (1) assuming that an investor owned the fund during the entire period and paid taxes on the fund's distributions, and (2) assuming that an investor paid taxes on the fund's distributions *and* sold all shares at the end of each period.

Calculations are based on the highest individual federal income tax and capital gains tax rates in effect at the times of the distributions and the hypothetical sales. State and local taxes were not considered. After-tax returns reflect any qualified dividend income, using actual prior-year figures and estimates for 2018. (In the example, returns after the sale of fund shares may be higher than those assuming no sale. This occurs when the sale would have produced a capital loss. The calculation assumes that the investor received a tax deduction for the loss.)

Please note that your actual after-tax returns will depend on your tax situation and may differ from those shown. Also note that if you own the fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, this information does not apply to you. Such accounts are not subject to current taxes.

Finally, keep in mind that a fund's performance—whether before or after taxes—does not guarantee future results.

Average Annual Total Returns: Dividend Growth Fund

Periods Ended January 31, 2018

	One Year	Five Years	Ten Years
Returns Before Taxes	23.65%	14.05%	10.12%
Returns After Taxes on Distributions	22.09	12.98	9.42
Returns After Taxes on Distributions and Sale of Fund Shares	14.87	11.07	8.21

About Your Fund's Expenses

As a shareholder of the fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your fund's costs in two ways:

- **Based on actual fund return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your fund under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the fund's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the fund for buying and selling securities. Further, the expenses do not include any purchase, redemption, or account service fees described in the fund prospectus. If such fees were applied to your account, your costs would be higher. Your fund does not carry a "sales load."

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the fund's expenses, including annual expense ratios, in the Financial Statements section of this report. For additional information on operating expenses and other shareholder costs, please refer to your fund's current prospectus.

Six Months Ended January 31, 2018

Dividend Growth Fund	Beginning Account Value 7/31/2017	Ending Account Value 1/31/2018	Expenses Paid During Period
Based on Actual Fund Return	\$1,000.00	\$1,123.97	\$1.28
Based on Hypothetical 5% Yearly Return	1,000.00	1,024.00	1.22

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratio for that period is 0.24%. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard Dividend Growth Fund has renewed the fund's investment advisory arrangement with Wellington Management Company LLP (Wellington Management). The board determined that renewing the fund's advisory arrangement was in the best interests of the fund and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made monthly presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

The board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

Prior to their meeting, the trustees were provided with a memo and materials that summarized the information they received over the course of the year. They also considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board reviewed the quality of the fund's investment management services over both the short and long term, and took into account the organizational depth and stability of the advisor. The board considered that Wellington Management, founded in 1928, is among the nation's oldest and most respected institutional managers. The board also noted that the portfolio manager of the fund has nearly two decades of investment industry experience. Wellington Management seeks to invest in companies with a history of paying a stable or growing dividend and the ability to continue increasing their dividend over the long term. Utilizing fundamental research, Wellington Management focuses on a company's ability to create value and the ability and willingness to distribute that value to shareholders in a sustainable manner. Valuation is also an important input to the investment process, as the advisor seeks to purchase these businesses when short-term dislocations have made the share price attractive. Wellington Management has advised the fund since its inception in 1992.

The board concluded that Wellington Management's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the fund, including any periods of outperformance or underperformance compared with a relevant benchmark index and peer group. The board concluded that the performance was such that the advisory arrangement should continue. Information about the fund's most recent performance can be found in the Performance Summary section of this report.

Cost

The board concluded that the fund's expense ratio was well below the average expense ratio charged by funds in its peer group and that the fund's advisory fee rate was also well below its peer-group average. Information about the fund's expense ratio appears in the About Your Fund's Expenses section of this report as well as in the Financial Statements section, which also includes information about the advisory fee rate.

The board did not consider the profitability of Wellington Management in determining whether to approve the advisory fee, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations.

The benefit of economies of scale

The board concluded that the fund's shareholders benefit from economies of scale because of breakpoints in the fund's advisory fee schedule. The breakpoints reduce the effective rate of the fee as the fund's assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

Glossary

30-Day SEC Yield. A fund's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the fund's security holdings in the previous 30 days are used to calculate the fund's hypothetical net income for that period, which is then annualized and divided by the fund's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the fund's actual experience. As a result, the fund's income distributions may be higher or lower than implied by the SEC yield.

Beta. A measure of the magnitude of a fund's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a fund with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the fund and the index. Note that a fund's beta should be reviewed in conjunction with its R-squared (see definition). The lower the R-squared, the less correlation there is between the fund and the index, and the less reliable beta is as an indicator of volatility.

Dividend Yield. Dividend income earned by stocks, expressed as a percentage of the aggregate market value (or of net asset value, for a fund). The yield is determined by dividing the amount of the annual dividends by the aggregate value (or net asset value) at the end of the period. For a fund, the dividend yield is based solely on stock holdings and does not include any income produced by other investments.

Earnings Growth Rate. The average annual rate of growth in earnings over the past five years for the stocks now in a fund.

Equity Exposure. A measure that reflects a fund's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

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

Foreign Holdings. The percentage of a fund represented by securities or depository receipts of companies based outside the United States.

Inception Date. The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund's investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

Median Market Cap. An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

Price/Book Ratio. The share price of a stock divided by its net worth, or book value, per share. For a fund, the weighted average price/book ratio of the stocks it holds.

Price/Earnings Ratio. The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the expectations for a company's future growth.

R-Squared. A measure of how much of a fund's past returns can be explained by the returns from the market in general, as measured by a given index. If a fund's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the fund's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the fund and the index.

Return on Equity. The annual average rate of return generated by a company during the past five years for each dollar of shareholder's equity (net income divided by shareholder's equity). For a fund, the weighted average return on equity for the companies whose stocks it holds.

Short-Term Reserves. The percentage of a fund invested in highly liquid, short-term securities that can be readily converted to cash.

Turnover Rate. An indication of the fund's trading activity. Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors). The turnover rate excludes in-kind transactions, which have minimal impact on costs.

Benchmark Information

Dividend Growth Spliced Index: Russell 1000 Index through January 31, 2010; NASDAQ US Dividend Achievers Select Index (formerly known as the Dividend Achievers Select Index) thereafter. Prior to December 6, 2002, the comparative benchmark was known as the Utilities Composite Index. The index weightings were: 40% S&P Utilities Index, 40% S&P Telephone Index, and 20% Lehman Brothers Utility Bond Index through April 30, 1999; 63.75% S&P Utilities Index, 21.25% S&P Telephone Index, and 15% Lehman Brothers Utility Bond Index through March 31, 2000; 75% S&P Utilities Index and 25% S&P Telephone Index through December 31, 2001; and 75% S&P Utilities Index and 25% S&P Integrated Telecommunication Services Index through December 6, 2002.

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.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 201 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustees¹

F. William McNabb III

Mr. McNabb has served as chairman of the board of Vanguard and of each of the investment companies served by Vanguard since January 2010; as a trustee of each of the investment companies served by Vanguard since 2009; and as director of Vanguard since 2008. Mr. McNabb served as chief executive officer and president of Vanguard and each of the investment companies served by Vanguard from 2008 to 2017 and as a managing director of Vanguard from 1995 to 2008. Mr. McNabb also serves as a director of Vanguard Marketing Corporation. He was born in 1957.

Mortimer J. Buckley

Mr. Buckley has served as chief executive officer of Vanguard since January 2018; as chief executive officer, president, and trustee of each of the investment companies served by Vanguard since January 2018; and as president and director of Vanguard since 2017. Previous positions held by Mr. Buckley at Vanguard include chief investment officer (2013–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006). Mr. Buckley also served as chairman of the board of the Children's Hospital of Philadelphia from 2011 to 2017. He was born in 1969.

Independent Trustees

Emerson U. Fullwood

Mr. Fullwood has served as trustee since July 2008. Mr. Fullwood is the former executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Previous positions held at Xerox by Mr. Fullwood include president of the Worldwide Channels Group, president of Latin America, executive chief staff officer of Developing Markets, and president of Worldwide Customer Services. Mr. Fullwood is the executive in residence at the Rochester Institute of Technology, where he was the 2009–2010 Distinguished Minett Professor. Mr. Fullwood serves as lead director of SPX FLOW, Inc. (multi-industry manufacturing); director of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College; and a trustee of the University of Rochester. He was born in 1948.

Amy Gutmann

Dr. Gutmann has served as trustee since June 2006. Dr. Gutmann has served as the president of the University of Pennsylvania since 2004. She is the Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and Professor of Communication, Annenberg School for

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania. Dr. Gutmann also serves as a trustee of the National Constitution Center. She was born in 1949.

JoAnn Heffernan Heisen

Ms. Heisen has served as trustee since July 1998. Ms. Heisen is the former corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and a former member of its executive committee (1997–2008). During her tenure at Johnson & Johnson, Ms. Heisen held multiple roles, including: chief global diversity officer (retired 2008), vice president and chief information officer (1997–2006), controller (1995–1997), treasurer (1991–1995), and assistant treasurer (1989–1991). Ms. Heisen serves as a director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation and as a member of the advisory board of the Institute for Women's Leadership at Rutgers University. She was born in 1950.

F. Joseph Loughrey

Mr. Loughrey has served as trustee since October 2009. Mr. Loughrey is the former president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Mr. Loughrey serves as chairman of the board of Hillenbrand, Inc. (specialized consumer services), Oxfam America, and the Lumina Foundation for Education; as a director of the V Foundation for Cancer Research; and as a member of the advisory council for the College of Arts and Letters and chair of the advisory board to the Kellogg Institute for International Studies, both at the University of Notre Dame. He was born in 1949.

Mark Loughridge

Mr. Loughridge has served as trustee since March 2012. Mr. Loughridge is the former senior vice president and chief financial officer (retired 2013) at IBM (information technology services). Mr. Loughridge also served as a fiduciary member of IBM's retirement plan committee (2004–2013). Previous positions held by Mr. Loughridge at IBM include senior vice president and general manager of Global Financing (2002–2004), vice president and controller (1998–2002), and a variety of management roles. Mr. Loughridge serves as a member of the Council on Chicago Booth. He was born in 1953.

Scott C. Malpass

Mr. Malpass has served as trustee since March 2012. Mr. Malpass has served as chief investment officer since 1989 and as vice president since 1996 at the University of Notre Dame. Mr. Malpass serves as an assistant professor of finance at the Mendoza College of Business at the University of Notre Dame and is a member of the Notre Dame 403(b) investment committee. Mr. Malpass also serves as chairman of the board of TIFF Advisory Services, Inc.; as a member of the board of Catholic Investment Services, Inc. (investment advisors); as a member of the board of advisors for Spruceview Capital Partners; and as a member of the board of superintendence of the Institute for the Works of Religion. He was born in 1962.

Deanna Mulligan

Ms. Mulligan has served as trustee since January 2018. Ms. Mulligan has served as president since 2010 and chief executive officer since 2011 at The Guardian Life Insurance Company of America. Previous positions held by Ms. Mulligan at The Guardian Life Insurance Company of America include chief operating officer (2010–2011) and executive vice president of Individual Life and Disability (2008–2010). Ms. Mulligan serves as a board member of The Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. She also serves as a trustee of the Economic Club of New York and the Bruce Museum (arts and science) and as a member of the Advisory Council for the Stanford Graduate School of Business. She was born in 1963.

André F. Perold

Dr. Perold has served as trustee since December 2004. Dr. Perold is the George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Dr. Perold serves as chief investment officer and co-managing partner of HighVista Strategies LLC (private investment firm). Dr. Perold also serves as an overseer of the Museum of Fine Arts Boston. He was born in 1952.

Sarah Bloom Raskin

Ms. Raskin has served as trustee since January 2018. Ms. Raskin served as deputy secretary of the United States Department of the Treasury (2014–2017), as a governor of the Federal Reserve Board (2010–2014), and as commissioner of financial regulation of the State of Maryland (2007–2010). Ms. Raskin also

served as a member of the Neighborhood Reinvestment Corporation's board of directors (2012–2014). Ms. Raskin serves as a director of i(x) Investments, LLC. She was born in 1961.

Peter F. Volanakis

Mr. Volanakis has served as trustee since July 2009. Mr. Volanakis is the retired president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and a former director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Mr. Volanakis served as a director of SPX Corporation (multi-industry manufacturing) (2012) and as an overseer of the Amos Tuck School of Business Administration at Dartmouth College (2001–2013). Mr. Volanakis serves as chairman of the board of trustees of Colby-Sawyer College and is a member of the board of Hypertherm Inc. (industrial cutting systems, software, and consumables). He was born in 1955.

Executive Officers

Glenn Booraem

Mr. Booraem, a principal of Vanguard, has served as investment stewardship officer of each of the investment companies served by Vanguard since February 2017. Mr. Booraem served as treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard. He was born in 1967.

Christine M. Buchanan

Ms. Buchanan, a principal of Vanguard, has served as treasurer of each of the investment companies served by Vanguard since November 2017. She also serves as global head of Fund Administration at Vanguard. Ms. Buchanan served as a partner at KPMG LLP (audit, tax, and advisory services) (2005–2017). She was born in 1970.

Thomas J. Higgins

Mr. Higgins, a principal of Vanguard, has served as chief financial officer of each of the investment companies served by Vanguard since 2008. Mr. Higgins served as treasurer of each of the investment companies served by Vanguard (1998–2008). He was born in 1957.

Peter Mahoney

Mr. Mahoney, a principal of Vanguard, has served as controller of each of the investment companies served by Vanguard since May 2015. Mr. Mahoney served as head of International Fund Services at Vanguard (2008–2014). He was born in 1974.

Anne E. Robinson

Ms. Robinson has served as general counsel of Vanguard since September 2016; as secretary of Vanguard and of each of the investment companies served by Vanguard since September 2016; as director and senior vice president of Vanguard Marketing Corporation since September 2016; and as a managing director of Vanguard since August 2016. Ms. Robinson served as managing director and general counsel of Global Cards and Consumer Services at Citigroup (2014–2016). She served as counsel at American Express (2003–2014). She was born in 1970.

Michael Rollings

Mr. Rollings, a managing director of Vanguard since June 2016, has served as finance director of each of the investment companies served by Vanguard since November 2017 and as a director of Vanguard Marketing Corporation since June 2016. Mr. Rollings served as treasurer of each of the investment companies served by Vanguard from February 2017 to November 2017. He also served as the executive vice president and chief financial officer of MassMutual Financial Group (2006–2016). He was born in 1963.

Vanguard Senior Management Team

Mortimer J. Buckley

Gregory Davis

John James

Martha G. King

John T. Marcante

Chris D. McIsaac

James M. Norris

Thomas M. Rampulla

Karin A. Risi

Anne E. Robinson

Michael Rollings

Chairman Emeritus and Senior Advisor

John J. Brennan

Chairman, 1996–2009

Chief Executive Officer and President, 1996–2008

Founder

John C. Bogle

Chairman and Chief Executive Officer, 1974–1996



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You can review and copy information about your fund at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your fund is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via email addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

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