Vanguard Alternative Strategies Fund

Supplement Dated August 1, 2019, to the Prospectus Dated February 27, 2019

Important Changes to the Fund

The Fund’s Board of Trustees has approved changes to the investment objective and benchmark of the Fund. The Fund’s investment objective will change to: “The Fund seeks to generate returns that have low correlation with the returns of the stock and bond markets and seeks capital appreciation.” The Fund’s performance benchmark will change from the FTSE 3-month US T-Bill Index +4% to the FTSE 3-month US T-Bill Index.

The Fund will also adopt a risk methodology that targets a fixed volatility range of 5-7% measured at the portfolio level. However, the Fund’s volatility from time to time may move outside this targeted range.

The account minimum required to open and maintain an account will be reduced from $250,000 to $50,000.

The investment objective and benchmark changes for the Fund, together with the risk methodology adoption, are expected to become effective on or about November 1, 2019. The Fund’s registration statement will be updated at that time to reflect these changes. The account minimum change is expected to become effective on or about November 4, 2019.

Prospectus Text Changes

The following replaces similar text under the heading “Investment Objective” in the Fund Summary section:

The Fund seeks to generate returns that have low correlation with the returns of the stock and bond markets and seeks capital appreciation.
The following paragraph is added after the third paragraph under the heading “Principal Investment Strategies” in the Fund Summary section:

The Fund has adopted a risk methodology that targets a fixed volatility range of 5-7% measured at the portfolio level. However, the Fund’s volatility from time to time may move outside this targeted range.

The following replaces similar text under the heading “Annual Total Returns”:

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the Fund compare with those of a relevant market index, which has investment characteristics similar to those of the Fund. Effective November 1, 2019, the FTSE 3-month US T-Bill Index +4% was replaced with the FTSE 3-month US T-Bill Index in order to align with the Fund’s investment objective and risk methodology. The Spliced Alternative Strategies Index reflects the performance of the FTSE 3-month US T-Bill Index +4% through October 31, 2019, and the FTSE 3-month US T-Bill Index thereafter. Keep in mind that the Fund’s past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at vanguard.com/performance or by calling Vanguard toll-free at 800-662-7447.
The “Average Annual Total Returns” table for the Fund is replaced with the following:

### Average Annual Total Returns for Periods Ended December 31, 2018

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>1 Year</th>
<th>Since Inception (Aug. 11, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard Alternative Strategies Fund Investor Shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return Before Taxes</td>
<td>2.28%</td>
<td>2.44%</td>
</tr>
<tr>
<td>Return After Taxes on Distributions</td>
<td>1.97</td>
<td>1.82</td>
</tr>
<tr>
<td>Return After Taxes on Distributions and Sale of Fund Shares</td>
<td>1.57</td>
<td>1.69</td>
</tr>
</tbody>
</table>

**Comparative Indexes**

(Reflect no deduction for fees, expenses, or taxes)

<table>
<thead>
<tr>
<th>Index</th>
<th>1 Year</th>
<th>Since Inception (Aug. 11, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE 3-month US T-Bill Index +4%</td>
<td>6.15%</td>
<td>5.06%</td>
</tr>
<tr>
<td>Spliced Alternative Strategies Index</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>FTSE 3-month US T-Bill Index</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The following replaces similar text under the heading “Purchase and Sale of Fund Shares” in the **Fund Summary** section:

You may purchase or redeem shares online through our website (vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The minimum investment amount required to open and maintain a Fund account for Investor Shares is $50,000. The minimum investment amount required to add to an existing Fund account is generally $1. Institutional clients should contact Vanguard for information on special eligibility rules that may apply to them. If you are investing through an employer-sponsored retirement or savings plan, your plan administrator or your benefits office can provide you with detailed information on how you can invest through your plan.
The following replaces similar text under the heading “Account Minimums” in the **Investing With Vanguard** section:

To open and maintain an account. $50,000. Institutional clients should contact Vanguard for information on special eligibility rules that may apply to them.

To add to an existing account. Generally $1.

The following is added under the heading “Glossary of Investment Terms”:

**FTSE 3-Month US T-Bill Index.** An index that tracks the daily performance of 3-month U.S. treasury bills.
This prospectus contains financial data for the Fund through the fiscal year ended October 31, 2018.

The Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.
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</table>
Fund Summary

Investment Objective
The Fund seeks to generate returns that have low correlation with the returns of the stock and bond markets and that are less volatile than the overall U.S. stock market.

Fees and Expenses
The following table describes the fees and expenses you may pay if you buy and hold shares of the Fund.

Shareholder Fees
(Fees paid directly from your investment)

<table>
<thead>
<tr>
<th>Sales Charge (Load) Imposed on Purchases</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Fee</td>
<td>None</td>
</tr>
<tr>
<td>Sales Charge (Load) Imposed on Reinvested Dividends</td>
<td>None</td>
</tr>
<tr>
<td>Redemption Fee</td>
<td>None</td>
</tr>
<tr>
<td>Account Service Fee (for certain fund account balances below $10,000)</td>
<td>$20/year</td>
</tr>
</tbody>
</table>

Annual Fund Operating Expenses
(Expenses that you pay each year as a percentage of the value of your investment)

<table>
<thead>
<tr>
<th>Management Fees</th>
<th>0.24%</th>
</tr>
</thead>
<tbody>
<tr>
<td>12b-1 Distribution Fee</td>
<td>None</td>
</tr>
</tbody>
</table>

Other Expenses

| Dividend Expenses on Securities Sold Short | 0.33%       |
| Borrowing Expenses on Securities Sold Short | 0.00%       |
| Other Operating Expenses                   | 0.06%       |

Total of Other Expenses 0.39%

Acquired Fund Fees and Expenses 0.03%

Total Annual Fund Operating Expenses 0.66%

1 The Fund’s custodian has contractually agreed to waive a portion of its custody fee based on an offset arrangement. The Fund’s Total Annual Fund Operating Expenses after the custody fee offset was 0.65%.
Example

The following example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you were to invest $10,000 in the Fund’s shares. This example assumes that the Fund provides a return of 5% each year and that total annual fund operating expenses remain as stated in the preceding table. You would incur these hypothetical expenses whether or not you were to redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$67</td>
<td>$211</td>
<td>$368</td>
<td>$822</td>
</tr>
</tbody>
</table>

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in more taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 131% of the average value of its portfolio.

Principal Investment Strategies

The Fund seeks to generate returns by utilizing several alternative strategies that, individually and collectively, are expected to have low correlation with traditional capital markets and that collectively are expected to have lower volatility than the overall U.S. stock market. The strategies are based on the advisor’s view regarding investable opportunities across capital markets. The Fund pursues strategies that include the following: long/short equity, event driven, fixed income relative value, currencies, commodity-linked investments, and equity index futures. The Fund will hold long and/or short positions within each strategy in an allocation that attempts to minimize market exposure, while attempting to capture attractive risk premiums identified by the advisor. The advisor expects that, over the long term, the assets underlying its long positions will outperform (appreciate more than or depreciate less than) the assets underlying its short positions.

The Fund implements these strategies by investing—either directly or indirectly through a wholly owned subsidiary—in a broad range of investments that may include, but are not limited to, the following: equities; fixed income instruments;
options; foreign currency exchange forward contracts; futures, including commodity, global equity index, and U.S. and foreign Treasury futures; and swaps.

The Fund seeks to generate absolute returns independent of market conditions, while managing volatility by combining strategies with different volatility patterns. The Fund is expected to utilize leverage in an attempt to match the expected risk profile of each individual strategy and the fund overall to a targeted level. A strategy will generate a positive return if stocks or other instruments held long (long positions) in the aggregate outperform stocks or other instruments sold short (short positions). This will happen if the long positions increase in value (appreciate) while the short positions decline in value (depreciate) or if the long positions appreciate more than, or depreciate less than, the short positions.

Although the Fund generally expects to maintain an approximate equal weighting among the strategies, the advisor may increase or decrease a strategy’s weighting within the Fund to a level deemed appropriate to further the Fund’s investment objective. In addition, the advisor may discontinue use of any of the strategies or add one or more new strategies if deemed to be in the best interests of the Fund.

The strategies employed by the Fund include:

- **Long/Short Equity:** The Fund may engage in strategies that seek to provide both long and short exposure to equity securities. This strategy involves simultaneously purchasing equities (e.g., U.S. and foreign stocks) the advisor expects to increase in value (i.e., investing long) and selling equities the advisor expects to decrease in value (i.e., short selling). This strategy may maintain overweightings in a variety of industry and sector exposures when seeking to capitalize on pricing inefficiencies between related equity securities. When taking a short position, the Fund sells a stock that it does not own and then borrows the stock from a third party to meet its settlement obligations. The Fund seeks to reduce the net exposure of the overall portfolio to general market movements and to minimize volatility by simultaneously engaging in long investing and short selling.

- **Event Driven:** The Fund may engage in event driven strategies, which seek to profit from investing in, and in some cases shorting, the securities (e.g., U.S. and foreign stocks) of a company based on the belief that a specific event or catalyst will affect the price of the company’s stock. This strategy attempts to capitalize on price discrepancies and returns generated by an impending corporate activity, such as an acquisition or merger. The advisor may also engage in this strategy using futures, forwards, or swaps. Foreign currency exchange forward contracts may be used to hedge currency risks presented by securities transactions. Swaps and futures may be used to create synthetic exposure to securities.
• **Fixed Income Relative Value**: The Fund may seek to profit by capitalizing on perceived mispricing of various liquid fixed income or interest rate-sensitive securities. This strategy will employ a variety of quantitative and qualitative methods to identify securities it believes are mispriced or display liquidity discrepancies based on historical, fundamental, or technical factors. The advisor may also engage in this strategy primarily using U.S. Treasury futures.

• **Currencies**: The Fund may utilize this strategy to benefit from expected currency movements across countries through the use of long and short foreign currency exchange forward contracts. The Fund seeks to benefit from premiums associated with selling currencies of countries with poor fundamental characteristics and purchasing currencies of countries with strong fundamental characteristics.

• **Commodity-Linked Investments**: The Fund may engage in investments that create both long and short exposure to commodities by using exchange-traded commodity futures contracts, commodity-linked swaps, or other commodity-linked investments. Commodities include real assets such as agricultural products, livestock, precious and industrial metals, and energy products. The Fund typically obtains exposure to commodities by investing a portion of its assets in a wholly owned subsidiary, which in turn invests in commodity-linked investments and fixed income securities. The Fund may also obtain exposure to commodities by investing directly in commodity-linked investments. Commodity-linked investments include commodity futures contracts, commodity-linked structured notes, commodity-linked swaps, exchange-traded commodity pools or funds, and other commodity-linked instruments.

• **Equity Index Futures**: The Fund may utilize long and short positions in global equity index futures to capture excess return opportunities. The Fund seeks to benefit from global differences in market and fundamental characteristics by buying equity index futures with strong characteristics and selling equity index futures with poor characteristics.

**Principal Risks**

An investment in the Fund could lose money over short, intermediate, or even long periods of time. Returns may vary substantially over time, and there is no guarantee that the Fund will achieve its investment objective or that any of its investment strategies individually or collectively will succeed.

The Fund’s strategies involve the use of leverage, so its investment program may be considered speculative and is expected to involve considerable risks. The Fund could lose money at any time and may underperform the markets in which it invests during any given period, regardless of whether such markets rise or fall.

The Fund is subject to the risks described below. Each of these risks, alone or in combination with other risks, has the potential to hurt Fund performance, sometimes significantly.
Absolute Return Investing Risk
Absolute return investing is complex and may involve greater risk than investing in a traditional portfolio of stocks, bonds, and cash. There is no guarantee that the performance of the Fund will have low correlation with the returns of traditional capital markets. It is possible that the Fund’s investment returns may converge with the investment returns of equity or fixed income markets during a period of declining stock prices, thereby eliminating the diversification benefit that the advisor expects from the strategies. During these times, the strategies’ correlations could increase, which in turn could increase the Fund’s overall volatility.

Manager Risk
The Fund is subject to manager risk, which is the chance that poor investment selections, poor asset allocation decisions, and/or poor strategy execution by the advisor will cause the Fund to fail to achieve its objective or to generate lower returns than would be achieved from different investment selections and/or asset allocation decisions. Poor investment selection by the advisor could also cause the Fund to underperform relevant benchmarks or other funds with similar investment objectives.

Derivatives Risk
The use of derivatives—such as futures contracts, foreign currency exchange forward contracts, swap agreements, options, and warrants—presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying security, commodity, asset, index, or reference rate. Derivative strategies often involve leverage, which may increase a loss, potentially causing the Fund to lose more money than it would have lost had it invested in the underlying security. Also, a liquid market may not always exist for the Fund’s derivative positions at times when the Fund might wish to terminate or sell such positions. In addition, regulators and futures exchanges have established limits, referred to as position limits, on the maximum net long or net short positions that any person may hold or control, in particular derivatives contracts. Some contract positions, such as commodity futures contracts, held by the Fund and/or the subsidiary may have to be liquidated at disadvantageous times or prices to avoid exceeding such position limits, which may adversely affect the Fund’s total return. The use of a derivative subjects the investor to the risk of nonperformance by the counterparty (i.e., counterparty risk), potentially resulting in delayed or partial payment or even nonpayment of amounts due under the derivative contract.

Short-Selling Risk
Short-selling risk is the chance that the Fund will lose money in connection with its short sales of securities or other instruments. Short selling allows an investor to profit from declines in the prices of securities or other instruments. There is no guarantee that the price of the securities or other instruments will decline; in fact, it may rise. To
generate cash to close out a short position, the Fund may have to sell a related long position at a disadvantageous time. The Fund’s loss on a short sale is potentially unlimited, because there is no limit on the price a security or instrument sold short could attain.

Commodity-Linked Investment Risk
The Fund has the ability to obtain commodity exposure by investing directly in commodity-linked investments or investing indirectly in those investments through a wholly owned subsidiary organized under the laws of the Cayman Islands. These investments subject the Fund to risks associated with investments in commodities. Commodity futures trading is volatile and even a small movement in market prices could cause large losses. Commodity-linked investment risks include commodity futures trading risk, counterparty risk, derivatives risk, and tax risk. These risks are described under More on the Fund. Investment in a wholly owned subsidiary also subjects the Fund to subsidiary investment risk, manager risk, and tax risk. These subsidiary-related risks are also described in more detail under More on the Fund. In particular, the subsidiary will not be organized as a mutual fund that is registered under any U.S. federal or state securities laws, including the Investment Company Act of 1940. The tax treatment of the Fund’s investment in the subsidiary may be adversely affected by changes in laws or regulations, or interpretations of existing laws or regulations, of the United States and/or the jurisdiction of the subsidiary.

Leverage Risk
Leverage risk is the chance that any leveraged losses will exceed the principal amount invested by the Fund. Returns from a leveraged investment have the potential to be more volatile than returns from traditional stock and bond investments, which exposes the Fund to heightened risks.

Stock Market Risk
The Fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund’s investments in foreign stocks can be riskier than U.S. stock investments. Foreign stocks may be more volatile and less liquid than U.S. stocks. The prices of foreign stocks and the prices of U.S. stocks may move in opposite directions.

Currency Risk
The Fund is subject to currency risk, which is the chance that the Fund could suffer losses from currency-related investments. For example, if positions the Fund holds long decline in value and/or positions the Fund holds short increase in value, then the Fund could incur a loss. Currency prices can be highly volatile and trading currencies for non-hedging purposes is generally considered speculative and involves a high risk of a substantial loss of invested capital.
Nondiversification Risk
The Fund is also subject to nondiversification risk, which is the chance that the Fund’s performance may be hurt disproportionately by the poor performance of relatively few investments. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of particular issuers as compared with diversified mutual funds.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Annual Total Returns
The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the Fund compare with those of a relevant market index, which has investment characteristics similar to those of the Fund. Keep in mind that the Fund’s past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at vanguard.com/performance or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns — Vanguard Alternative Strategies Fund Investor Shares

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>2.61</td>
<td>0.35</td>
<td>2.28</td>
</tr>
<tr>
<td>-10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-20%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

During the periods shown in the bar chart, the highest return for a calendar quarter was 5.22% (quarter ended March 31, 2016), and the lowest return for a quarter was –2.61% (quarter ended December 31, 2016).
Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned Return After Taxes on Distributions and Sale of Fund Shares may be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

**Investment Advisor**
The Vanguard Group, Inc. (Vanguard)

**Portfolio Managers**
Anatoly Shtekhman, CFA, Portfolio Manager at Vanguard. He has co-managed the Fund since 2016.

Fei Xu, CFA, Portfolio Manager at Vanguard. He has co-managed the Fund since 2017.
Purchase and Sale of Fund Shares
You may purchase or redeem shares online through our website (vanguard.com), by mail (The Vanguard Group, P.O. Box 1110, Valley Forge, PA 19482-1110), or by telephone (800-662-2739). The minimum investment amount required to open and maintain a Fund account for Investor Shares is $250,000. The minimum investment amount required to add to an existing Fund account is generally $1. Institutional clients should contact Vanguard for information on special eligibility rules that may apply to them. If you are investing through an employer-sponsored retirement or savings plan, your plan administrator or your benefits office can provide you with detailed information on how you can invest through your plan.

Tax Information
The Fund’s distributions may be taxable as ordinary income or capital gain. If you are investing through a tax-advantaged account, such as an IRA or an employer-sponsored retirement or savings plan, special tax rules apply.

Payments to Financial Intermediaries
The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.
More on the Fund

This prospectus describes the principal risks you would face as a Fund shareholder. It is important to keep in mind one of the main principles of investing: generally, the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. As you consider an investment in any mutual fund, you should take into account your personal tolerance for fluctuations in the securities markets. Look for this symbol throughout the prospectus. It is used to mark detailed information about the more significant risks that you would confront as a Fund shareholder. To highlight terms and concepts important to mutual fund investors, we have provided Plain Talk® explanations along the way. Reading the prospectus will help you decide whether the Fund is the right investment for you. We suggest that you keep this prospectus for future reference.

The following sections explain the principal investment strategies and policies that the Fund uses in pursuit of its objective. The Fund’s board of trustees, which oversees the Fund’s management, may change investment strategies or policies in the interest of shareholders without a shareholder vote, unless those strategies or policies are designated as fundamental. Note that the Fund’s investment objective is not fundamental and may be changed without a shareholder vote.

Plain Talk About Absolute Return Investing

Conventional approaches to investing money seek to either track or exceed the performance of a particular asset or sub-asset class. An absolute return approach to investing, however, seeks capital appreciation over the long term while exhibiting low correlation with the returns of traditional capital markets. During periods of falling or rising stock prices, an absolute return investment may generate returns that are markedly different from the returns of the stock market, for better or worse. Some absolute return strategies are designed to take advantage of disparities or inefficiencies in different markets or to benefit from cyclical relationships or special situations. Certain absolute return strategies may be designed to systematically capture risk premiums across the financial markets by offering risk transfer opportunities to market participants. Other absolute return strategies can be designed to capture mispricings across asset classes that have historically positive long-term returns while exhibiting low correlation with stock market returns. Generally speaking, an absolute return approach to investing places a premium on manager insight, effective execution, and disciplined risk controls. Absolute return strategies can use a high degree of implicit or explicit leverage, which introduces the potential for a substantial loss of invested capital over short periods of time.
Absolute return investing is complex and may involve greater risk than investing in a traditional portfolio of stocks, bonds, and cash. There is no guarantee that the performance of the Fund will have low correlation with the returns of traditional capital markets. It is possible that the Fund’s investment returns may converge with the investment returns of equity or fixed income markets during a period of declining stock prices, thereby eliminating the diversification benefit that the advisor expects from the strategies. During these times, the strategies’ correlations could increase, which in turn could increase the Fund’s overall volatility.

Plain Talk About Costs of Investing

Costs are an important consideration in choosing a mutual fund. That is because you, as a shareholder, pay a proportionate share of the costs of operating a fund and any transaction costs incurred when the fund buys or sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation a fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a fund’s performance.

An investment in the Fund could lose money over short, intermediate, or even long periods of time. Returns may vary substantially over time, and there is no guarantee that the Fund will achieve its investment objective or that any of its investment strategies individually or collectively will succeed.

Portfolio Construction

The Fund seeks to provide shareholders with an absolute return through investments in various alternative strategies. The Fund is constructed to provide returns that have low correlation to traditional capital markets. Therefore, the Fund’s strategies have been designed and selected to have minimal long-term correlation with each other. The Fund will seek to be broadly diversified across a range of markets. Each of the strategies is constructed using a bottom up systematic process.

The advisor constructs each strategy individually then combines them into a single portfolio using a long-term strategic risk-weighting process. In general, the advisor’s portfolio construction process focuses on adding value through diversified risk weighting over the long-term.
Although the Fund’s returns are designed to have low long-term correlation with traditional capital market returns on average over time, the Fund may experience periods of increased correlation and risk relative to capital markets. Although the Fund may simultaneously use one type of exposure in more than one strategy, the exposure will be independently selected to achieve the goal of the particular strategy. The advisor will attempt to mitigate risk through the allocation of assets among the strategies and through active monitoring of volatility, counterparties, and other risk measures.

Security Selection
Vanguard manages each strategy through the use of a continually evolving process that was developed and is managed by Vanguard’s Quantitative Equity Group. All potential enhancements to the process go through rigorous peer vetting and validation before being implemented. The advisor utilizes the resulting process to determine which securities and other instruments to buy long and sell short for the portfolio. The Fund’s investments may include, but are not limited to, the following: equities; fixed income instruments; options; foreign currency exchange forward contracts; futures, including commodity, global equity index, and U.S. and foreign Treasury futures; and swaps. The Fund gains exposure to these instruments either directly by investing in the instruments or indirectly by investing in a subsidiary that invests in the instruments.

The Fund may invest in selected other investments that the advisor believes have attractive expected risk/return characteristics and that are compatible with the existing strategies of the Fund.

The Fund is subject to manager risk, which is the chance that poor investment selections, poor asset allocation decisions, and/or poor strategy execution by the advisor will cause the Fund to fail to achieve its objective or to generate lower returns than would be achieved from different investment selections and/or asset allocation decisions. Poor investment selection by the advisor could also cause the Fund to underperform relevant benchmarks or other funds with similar investment objectives.

The performance of the Fund depends on the net returns of its long and short positions, and it is possible for the Fund to experience a net loss across all positions. If the Fund’s investment program is successful, however, the net returns of its long and short positions will produce long-term capital appreciation that reflects the quality of the advisor’s security selections, with less volatility than the U.S. stock market.
The Fund is subject to nondiversification risk, which is the chance that the Fund’s performance may be hurt disproportionately by the poor performance of relatively few investments. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of particular issuers as compared with diversified mutual funds.

Plain Talk About Alternative Strategies Funds
What is an alternative strategies mutual fund? While there is no clear definition of “alternative” in the mutual fund space, an alternative strategies mutual fund is generally understood to be a fund whose principal investment strategy falls into one or more of the three following buckets: (1) non-traditional asset classes (such as currencies), (2) non-traditional strategies (such as long/short equity positions), and/or (3) illiquid assets (such as private debt). These investment strategies generally seek to produce positive risk-adjusted returns (or alphas) that are not closely correlated to traditional investments or benchmarks. These investment strategies differ from those of traditional mutual funds that pursue long-only strategies in asset classes. It is possible for an alternative strategies mutual fund to experience considerable losses.

Market Exposure
• U.S. and Foreign Stocks
The Fund invests, to varying degrees, in large-, mid-, and small-capitalization stocks of companies in the United States, as well as in stocks of companies located in markets around the world. The Fund may hedge some of its currency exposure to foreign stocks in order to reduce volatility caused by changes in currency exchange rates.

The Fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Investments in foreign stocks can be riskier than U.S. stock investments. Foreign stocks may be more volatile and less liquid than U.S. stocks. The prices of foreign stocks and the prices of U.S. stocks may move in opposite directions.

The Fund is subject to country/regional risk and currency risk. Country/regional risk is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Currency risk is the chance that the value of a foreign investment, including a derivative that provides exposure to a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.
The advisor expects that much of the risks of investing in stocks will be offset through strategy construction, for example, taking short positions in stocks. That said, there is no guarantee that strategy construction will always be successful in reducing stock market risk.

- **Bonds**

The Fund may invest in instruments that provide exposure to fixed income markets, including U.S. Treasury futures, and to varying degrees, a wide spectrum of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar. The Fund may hedge some of its currency exposure in order to reduce volatility caused by changes in currency rates. Fixed income investments may be used in furtherance of an investment strategy and also to enable the Fund to satisfy margin deposit, collateralization, and/or segregation obligations associated with its use of derivatives.

*The Fund is subject to interest rate risk, which is the chance that prices of fixed income instruments, including, but not limited to, bonds and U.S. Treasury futures, will be affected by changes in interest rates. Increasing interest rates could cause positions of the long portfolio to decline in value, while decreasing interest rates could cause positions of the short portfolio to decline in value.*
Plain Talk About Bonds and Interest Rates

As a rule, when interest rates rise, bond prices fall. The opposite is also true: Bond prices go up when interest rates fall. Why do bond prices and interest rates move in opposite directions? Let’s assume that you hold a bond offering a 4% yield. A year later, interest rates are on the rise and bonds of comparable quality and maturity are offered with a 5% yield. With higher-yielding bonds available, you would have trouble selling your 4% bond for the price you paid—you would probably have to lower your asking price. On the other hand, if interest rates were falling and 3% bonds were being offered, you should be able to sell your 4% bond for more than you paid.

How mortgage-backed securities are different: In general, declining interest rates will not lift the prices of mortgage-backed securities—such as those guaranteed by the Government National Mortgage Association—as much as the prices of comparable bonds. Why? Because when interest rates fall, the bond market tends to discount the prices of mortgage-backed securities for prepayment risk—the possibility that homeowners will refinance their mortgages at lower rates and cause the bonds to be paid off prior to maturity. In part to compensate for this prepayment possibility, mortgage-backed securities tend to offer higher yields than other bonds of comparable credit quality and maturity. In contrast, when interest rates rise, prepayments tend to slow down, subjecting mortgage-backed securities to extension risk—the possibility that homeowners will repay their mortgages at slower rates. This will lengthen the duration or average life of mortgage-backed securities held by a fund and delay the fund’s ability to reinvest proceeds at higher interest rates, making the fund more sensitive to changes in interest rates.

The Fund is subject to credit risk, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer’s ability to make such payments will cause the price of that security to decline, thus reducing the Fund’s return.

The Fund is subject to income risk, which is the chance that the Fund’s income will decline because of falling interest rates. A fund holding bonds will experience a decline in income when interest rates fall because the fund then must invest new cash flow and cash from maturing bonds in lower-yielding bonds. Income risk is generally higher for funds holding short-term bonds and lower for funds holding long-term bonds.
The Fund is subject to call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupon rates or interest rates before their maturity dates. If the Fund holds a bond that is called, the Fund would then lose any price appreciation above the bond’s call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund’s income. For mortgage-backed securities, this risk is known as prepayment risk.

The Fund is subject to country/regional risk, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value and/or liquidity of securities issued by foreign governments, government agencies, or companies.

The Fund is subject, to a limited extent, to event risk, which is the chance that corporate fixed income securities will suffer a substantial decline in credit quality and market value because of a corporate restructuring.

Plain Talk About Bond Maturities

A bond is issued with a specific maturity date—the date when the issuer must pay back the bond’s principal (face value). Bond maturities range from less than 1 year to more than 30 years. Typically, the longer a bond’s maturity, the more price risk you, as a bond investor, will face as interest rates rise—but also the higher the potential yield you could receive. Longer-term bonds are more suitable for investors willing to take a greater risk of price fluctuations to get higher and more stable interest income. Shorter-term bond investors should be willing to accept lower yields and greater income variability in return for less fluctuation in the value of their investment. The stated maturity of a bond may differ from the effective maturity of a bond, which takes into consideration that an action such as a call or refunding may cause bonds to be repaid before their stated maturity dates.

Commodity-Linked Investment Risk

The Fund may allocate a portion of its assets to investments that create long or short exposure to commodities (e.g., commodity futures). Commodities include real assets such as agricultural products, livestock, precious and industrial metals, and energy products. Commodity futures prices have a historically low correlation with the returns of the stock and bond markets.
The Fund intends to obtain exposure to commodities primarily through investing a portion of its assets in a wholly owned subsidiary organized under the laws of the Cayman Islands, which in turn invests in commodity-linked investments and fixed income securities. The Fund’s ownership of the subsidiary exposes it to the same risks as if it were invested directly in the assets owned by the subsidiary. The Fund may also invest directly in certain types of commodity-linked investments. The Fund’s direct and indirect commodity-linked investments may include commodity futures contracts, commodity-linked swaps, exchange-traded commodity pools or funds, and other commodity-linked instruments. The subsidiary’s fixed income investments include, but are not limited to, cash instruments, money market instruments, and short-term bonds. Fixed income investments provide liquidity for the subsidiary and may serve as margin or collateral for the subsidiary’s commodity-linked investments.

Subsidiary investment risk includes the risk that because a subsidiary is not registered under any U.S. federal or state securities laws, it does not offer the same investor protections available to shareholders of registered investment companies.

The subsidiary, which is managed by Vanguard, will not be organized as a mutual fund that is registered under any U.S. federal or state securities laws, including the Investment Company Act of 1940 (1940 Act), and is therefore not subject to all the investor protections of the 1940 Act.

There is no assurance that the Fund will be permitted to continue to invest indirectly in commodity-linked investments through the subsidiary. Changes in the laws or regulations, or interpretations of existing laws or regulations, of the United States and/or the jurisdiction of the subsidiary could limit the Fund’s ability to invest in the subsidiary, impact the way in which the subsidiary operates, increase the subsidiary’s expenses, or otherwise adversely affect the Fund and/or the subsidiary. Moreover, the changes may be retroactive. For example, the subsidiary intends to operate in a manner that the Fund’s qualifying income requirement is met under current U.S. tax law. However, there is no assurance that future changes in this law, or interpretations of this law, will not adversely affect the Fund. Also, although the subsidiary is not expected to owe income or other taxes in its jurisdiction of organization, if that jurisdiction’s tax laws were changed and the subsidiary was required to pay taxes, the Fund’s investment returns may decrease. Because Vanguard receives asset-based fees from the subsidiary for services provided to the subsidiary, Fund assets invested in the subsidiary are excluded when allocating to the Fund its share of the costs of Vanguard operations.

Tax risk is the chance that the Fund’s commodity-linked investments could adversely affect the Fund’s regulated investment company status.
The Fund’s ability to make direct and indirect investments in some of the commodity-related investments previously described, including in the wholly owned subsidiary, is limited by the Fund’s intention to qualify as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the IRC), including the requirement that 90% of the Fund’s gross income for each taxable year constitute “qualifying income.” As an RIC, the Fund also may not invest more than 25% of its assets in the subsidiary.

The Fund generally intends to gain direct or indirect exposure to the commodity markets through investments that generate qualifying income by investing directly in commodity-linked investments the Fund believes give rise to qualifying income or by investing indirectly in commodity-linked investments through the subsidiary. In addition, the subsidiary will be operated in a manner that is intended to enable the Fund to comply with the IRC requirements applicable to RICs. However, if the Fund does not appropriately limit its investments in the subsidiary or in commodity-related investments, or if the investments (or the income earned on the investments) are recharacterized for U.S. tax purposes, the Fund’s status as an RIC may be jeopardized. Moreover, any recharacterization of these investments (or the income earned on the investments) may be retroactive. If the Fund were to fail to qualify as an RIC in any taxable year, the Fund would be subject to Fund-level taxation, reducing the amount of income available for distribution to shareholders and reducing the net asset value of its shares.

Manager risk is the chance that poor strategy execution will cause the subsidiary to fail to achieve its investment objective.

The subsidiary’s success will depend on the advisor’s ability to successfully invest in commodity-linked investments such as commodity futures and commodity-linked swaps and to invest the subsidiary’s assets in a combination of fixed income investments. The subsidiary is subject to the risk that it will not be successful in executing this strategy, and there is no guarantee that the subsidiary will achieve its investment objective. The subsidiary could lose money at any time.
Commodity futures trading risk is the chance that the Fund could lose all, or substantially all, of its investments in instruments linked to the returns of commodity futures. Commodity futures trading is volatile, and even a small movement in market prices could cause large losses.

The prices of commodity futures are subject to change based on various factors, including, but not limited to, the following: lack of liquidity; global supply and demand for commodities; disorderly markets; limitations on deliverable supplies; participation of hedgers and speculators; domestic and foreign interest rates and investors’ expectations concerning interest rates; domestic and foreign inflation rates and investors’ expectations concerning inflation rates; investment and trading activities of institutional investors; global or regional political, economic, or financial events and situations; government regulation and intervention; technical and operational or system failures; nuclear accident; terrorism; and natural disasters.
Derivatives Risk
The Fund may invest in derivatives only if the expected risks and rewards of the derivatives are consistent with the investment objective, policies, strategies, and risks of the Fund as disclosed in this prospectus.

Derivatives risk is the risk associated with the use of futures contracts, options on futures contracts, options on securities, swap agreements, warrants, forward contracts, and other derivatives. Investments in derivatives may involve risks different from, and possibly greater than, those of investments directly in the underlying securities or assets.

Losses involving certain derivatives can sometimes be substantial or even greater than the principal amount invested—in part because a relatively small price movement may result in an immediate and substantial loss to the investor. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying securities or assets. The market for many derivatives is, or can suddenly become, illiquid, which may result in significant, rapid, and unpredictable changes in the prices for derivatives.

The use of certain derivatives subjects the investor to counterparty risk, which is the risk of nonperformance by the counterparty, potentially resulting in delayed or partial payment or even nonpayment of amounts due under the derivative contract. There are typically contractual remedies that may be pursued under a derivatives agreement in the event of default by a counterparty. The Fund and the subsidiary each expects to hold margin or collateral to secure the obligations of a counterparty in an effort to mitigate this risk.

Plain Talk About Derivatives
Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, a bond, or a currency), a physical asset (such as gold, oil, or wheat), a market index, or a reference rate. Some forms of derivatives—such as exchange-traded futures and options on securities, commodities, or indexes—have been trading on regulated exchanges for decades. These types of derivatives are standardized contracts that can easily be bought and sold and whose market values are determined and published daily. On the other hand, non-exchange-traded derivatives—such as certain swap agreements and foreign currency exchange forward contracts—tend to be more specialized or complex and may be less liquid and more difficult to accurately value.
Liquidity risk is the chance that the markets, assets, and instruments in which the Fund invests are, or may become, illiquid.

The advisor expects that the Fund generally will seek to invest in liquid markets, assets, and instruments, although the Fund may have the ability to invest a portion of its assets in markets, assets, or instruments that are or may become illiquid. There is no assurance that investments that were liquid when purchased will not suddenly become illiquid for an indefinite period of time.

Short-Selling Risk
The Fund’s use of short sales in combination with its long positions may not be successful and may result in greater losses or lower returns than if the Fund held only long positions. For example, it is possible that the instruments the Fund holds long will underperform (appreciate less than or depreciate more than) the instruments it holds short, resulting in losses to the Fund. Any gain from a short position may be partially or totally offset by a decline in a long position, or vice versa.

Plain Talk About Equity Short Sales
A short sale of an equity security is the sale of a security that the seller does not own. In order to deliver the security to the purchaser, the short seller borrows the security, typically from a broker-dealer or an institutional investor, for a fee. The short seller later closes out the position by returning the security to the lender, typically by purchasing the same security on the open market. A short sale theoretically carries the risk of an unlimited loss, because the price of the underlying security could increase without limit, thus increasing the cost of buying that security to cover the short position. In addition, there can be no assurance that the security needed to cover a short position will be available for purchase. Also, the purchase of a security to close out the short position can itself cause the price of the security to rise further, thereby exacerbating the loss. Short selling is often used to profit from an expected downward price movement in a security.

Short-selling risk is the chance that the Fund will lose money in connection with its short sales of securities or other instruments.

Short selling allows an investor to profit from declines in the prices of securities or other instruments the investor does not own. To engage in an equity short sale, the Fund sells a security that it does not own and borrows, for a fee, securities to meet its settlement obligation. There is no guarantee that the price of the borrowed securities will decline; in fact, it may rise. Short selling of equity securities involves higher transaction costs than long-only investing. For example, to generate cash to close out
a short position, the Fund may have to sell a related long position at disadvantageous times to produce cash to unwind a short position. The Fund’s loss on a short sale is potentially unlimited, because there is no limit on the price appreciation a borrowed security or instrument sold short could attain.

Plain Talk About Short Sale Borrowing and Dividend Expenses

The Fund engages in short selling as a principal investment strategy. A short sale occurs when the Fund sells a stock it does not own and then borrows the stock from a lender in order to settle the transaction. When the Fund sells short, it will normally incur two types of expenses—borrowing expenses and dividend expenses—which increase the Fund’s expense ratio.

In connection with the short sale, the Fund may receive income or be charged a fee on borrowed stock. This income or fee is calculated on a daily basis, based upon the market value of the borrowed stock and a variable rate that is dependent upon the availability of the stock. The net amounts of income or fees are recorded as “interest income” (for net income received) or “borrowing expense on securities sold short” (for net fees charged) on the Fund’s Statement of Operations.

The Fund incurs dividend expenses until the borrowed stock is returned to the lender. These expenses are paid to the lender of the stock and are based upon the amount of any dividends declared on the stock. Having sold the borrowed stock, the Fund does not itself collect the dividends, and thus has a net expense payable to the lender. This payment is recorded as “dividend expense on securities sold short” on the Fund’s financial statements. Short sale dividend expenses generally reduce the market value of the stock by the amount of the dividend declared, thus increasing the Fund’s unrealized gain or reducing the Fund’s unrealized loss on the stock sold short.

Leverage Risk

Leverage risk is the chance that any leveraged losses will exceed the principal amount invested by the Fund. Returns from a leveraged investment have the potential to be more volatile than returns from traditional stock and bond investments, which exposes the Fund to heightened risks.

Leverage exists when an investor has the right to a return on a total investment amount that exceeds the cash amount the investor contributed to the investment. Leverage magnifies the effect of gains and losses. The Fund’s losses from its leveraged investments could be considerable.
Leverage-financing risk is the chance that the Fund will be unable to access and maintain financing sufficient to leverage its investments to targeted levels.

The Fund will require the use of leverage in order for its strategies to reach targeted volatility levels. It is possible that the prime broker or other counterparties that finance the leverage employed by the Fund may not be able or willing to provide the level of financing that the advisor believes is required to achieve its volatility targets.

Currency Risk

Currency risk is the chance that the Fund could suffer losses from currency-related investments. For example, if positions the Fund holds long decline in value and/or positions the Fund holds short increase in value, then the Fund could incur a loss. Currency prices can be highly volatile and trading currencies for non-hedging purposes is generally considered speculative and involves a high risk of a substantial loss of invested capital.

Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including, but not limited to, changes in interest rates, impositions of currency controls, devaluation of a currency by a country's government or banking authority, or political developments in the United States or abroad.

Other Investment Policies and Risks

Although the Fund actively allocates its assets principally among some combination of equities; fixed income instruments; options; foreign currency exchange forward contracts; futures, including commodity, global equity index, and U.S. and foreign Treasury futures; and swaps, the Fund may make other kinds of investments to achieve its objective.

The Fund may invest up to 15% of its net assets in illiquid securities. Illiquid securities are investments that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. Restricted securities are a special type of illiquid security; these securities have not been publicly issued and legally can be resold only to qualified buyers. From time to time, the board of trustees may determine that particular restricted securities are not illiquid, and those securities may then be purchased by the Fund without limit.

The Fund may invest a portion of its assets in shares of stock or bond exchange-traded funds (ETFs). ETFs provide returns similar to those of stocks or bonds. The Fund may purchase ETFs when doing so will reduce the Fund’s transaction costs, facilitate cash management, mitigate risk, or have the potential to add value because the instruments are favorably priced. Vanguard receives no additional revenue from Fund
assets invested in ETF Shares of other Vanguard funds. Fund assets invested in ETF Shares are excluded when allocating to the Fund its share of the costs of Vanguard operations.

**Cash Management**
The Fund’s daily cash balance may be invested in Vanguard Market Liquidity Fund and/or Vanguard Municipal Cash Management Fund (each, a CMT Fund), which are low-cost money market funds. When investing in a CMT Fund, the Fund bears its proportionate share of the expenses of the CMT Fund in which it invests. Vanguard receives no additional revenue from Fund assets invested in a CMT Fund.

**Methods Used to Meet Redemption Requests**
Under normal circumstances, the Fund typically expects to meet redemptions with positive cash flows. When this is not an option, the Fund seeks to maintain its risk exposure by selling a cross section of the Fund’s holdings to meet redemptions, while also factoring in transaction costs. Additionally, the Fund may work with larger clients to implement their redemptions in a manner that is least disruptive to the portfolio; see “Potentially disruptive redemptions” under Redeeming Shares in the Investing With Vanguard section.

Under certain circumstances, including under stressed market conditions, there are additional tools that the Fund may use in order to meet redemptions, including advancing the settlement of market trades with counterparties to match investor redemption payments or delaying settlement of an investor’s transaction to match trade settlement within regulatory requirements. The Fund may also suspend payment of redemption proceeds for up to seven days; see “Emergency circumstances” under Redeeming Shares in the Investing With Vanguard section. Additionally under these unusual circumstances, the Fund may borrow money (subject to certain regulatory conditions and if available under board-approved procedures) through an interfund lending facility or through a bank line-of-credit, including a joint committed credit facility, in order to meet redemption requests.

**Temporary Investment Measures**
The Fund may temporarily depart from its normal investment policies and strategies when the advisor believes that doing so is in the Fund’s best interest, so long as the strategy or policy employed is consistent with the Fund’s investment objective. For instance, the Fund may invest beyond its normal limits in derivatives or exchange-traded funds that are consistent with the Fund’s investment objective when those instruments are more favorably priced or provide needed liquidity, as might be the case if the Fund is transitioning assets from one advisor to another or receives large cash flows that it cannot prudently invest immediately.
In addition, the Fund may take temporary defensive positions that are inconsistent with its normal investment policies and strategies—for instance, by allocating substantial assets to cash equivalent investments or other less volatile instruments—in response to adverse or unusual market, economic, political, or other conditions. In doing so, the Fund may succeed in avoiding losses but may otherwise fail to achieve its investment objective.

**Frequent Trading or Market-Timing**

**Background.** Some investors try to profit from strategies involving frequent trading of mutual fund shares, such as market-timing. For funds holding foreign securities, investors may try to take advantage of an anticipated difference between the price of the fund’s shares and price movements in overseas markets, a practice also known as time-zone arbitrage. Investors also may try to engage in frequent trading of funds holding investments such as small-cap stocks and high-yield bonds. As money is shifted into and out of a fund by a shareholder engaging in frequent trading, the fund incurs costs for buying and selling securities, resulting in increased brokerage and administrative costs. These costs are borne by all fund shareholders, including the long-term investors who do not generate the costs. In addition, frequent trading may interfere with an advisor’s ability to efficiently manage the fund.

**Policies to address frequent trading.** The Vanguard funds (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) do not knowingly accommodate frequent trading. The board of trustees of each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) has adopted policies and procedures reasonably designed to detect and discourage frequent trading and, in some cases, to compensate the fund for the costs associated with it. These policies and procedures do not apply to ETF Shares because frequent trading in ETF Shares generally does not disrupt portfolio management or otherwise harm fund shareholders. Although there is no assurance that Vanguard will be able to detect or prevent frequent trading or market-timing in all circumstances, the following policies have been adopted to address these issues:

- Each Vanguard fund reserves the right to reject any purchase request—including exchanges from other Vanguard funds—without notice and regardless of size. For example, a purchase request could be rejected because the investor has a history of frequent trading or if Vanguard determines that such purchase may negatively affect a fund’s operation or performance.
- Each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) generally prohibits, except as otherwise noted in the *Investing With Vanguard* section, an
investor’s purchases or exchanges into a fund account for 30 calendar days after the investor has redeemed or exchanged out of that fund account.

- Certain Vanguard funds charge shareholders purchase and/or redemption fees on transactions.

See the Investing With Vanguard section of this prospectus for further details on Vanguard’s transaction policies.

Each Vanguard fund (other than retail and government money market funds), in determining its net asset value, will use fair-value pricing when appropriate, as described in the Share Price section. Fair-value pricing may reduce or eliminate the profitability of certain frequent-trading strategies.

Do not invest with Vanguard if you are a market-timer.

Turnover Rate
Although the Fund generally seeks to invest for the long term, it may sell securities regardless of how long they have been held. The Financial Highlights section of this prospectus shows historical turnover rates for the Fund. A turnover rate of 100%, for example, would mean that the Fund had sold and replaced securities valued at 100% of its net assets within a one-year period.

Plain Talk About Turnover Rate
Before investing in a mutual fund, you should review its turnover rate. This rate gives an indication of how transaction costs, which are not included in the fund’s expense ratio, could affect the fund’s future returns. In general, the greater the volume of buying and selling by the fund, the greater the impact that brokerage commissions and other transaction costs will have on its return. Also, funds with high turnover rates may be more likely to generate capital gains, including short-term capital gains, that must be distributed to shareholders and will be taxable to shareholders investing through a taxable account.

The Fund and Vanguard
The Fund is a member of The Vanguard Group, a family of over 200 funds holding assets of approximately $4.7 trillion. All of the funds that are members of The Vanguard Group (other than funds of funds) share in the expenses associated with administrative services and business operations, such as personnel, office space, and equipment.
Vanguard Marketing Corporation provides marketing services to the funds. Although fund shareholders do not pay sales commissions or 12b-1 distribution fees, each fund (other than a fund of funds) or each share class of a fund (in the case of a fund with multiple share classes) pays its allocated share of the Vanguard funds’ marketing costs.

Plain Talk About Vanguard’s Unique Corporate Structure

The Vanguard Group is owned jointly by the funds it oversees and thus indirectly by the shareholders in those funds. Most other mutual funds are operated by management companies that are owned by third parties—either public or private stockholders—and not by the funds they serve.

Investment Advisor

The Vanguard Group, Inc., P.O. Box 2600, Valley Forge, PA 19482, which began operations in 1975, serves as advisor to the Fund through its Quantitative Equity Group. As of October 31, 2018, Vanguard served as advisor for approximately $4 trillion in assets. Vanguard provides investment advisory services to the Fund pursuant to the Funds’ Service Agreement and subject to the supervision and oversight of the trustees and officers of the Fund.

For the fiscal year ended October 31, 2018, the advisory expenses represented an effective annual rate of 0.07% of the Fund’s average net assets.

Under the terms of an SEC exemption, the Fund’s board of trustees may, without prior approval from shareholders, change the terms of an advisory agreement with a third-party investment advisor or hire a new third-party investment advisor—either as a replacement for an existing advisor or as an additional advisor. Any significant change in the Fund’s advisory arrangements will be communicated to shareholders in writing. As the Fund’s sponsor and overall manager, Vanguard may provide investment advisory services to the Fund at any time. Vanguard may also recommend to the board of trustees that an advisor be hired, terminated, or replaced or that the terms of an existing advisory agreement be revised. The Fund has filed an application seeking a similar SEC exemption with respect to investment advisors that are wholly owned subsidiaries of Vanguard. If the exemption is granted, the Fund may rely on the new SEC relief.

For a discussion of why the board of trustees approved the Fund’s investment advisory arrangement, see the most recent semiannual report to shareholders covering the fiscal period ended April 30.
The managers primarily responsible for the day-to-day management of the Fund are:

**Anatoly Shtekhman**, CFA, Portfolio Manager at Vanguard. He has been with Vanguard since 2007 and has managed investment portfolios and co-managed the Fund since 2016. Education: B.S., University of Scranton; M.S., Boston College; M.B.A., The Wharton School of the University of Pennsylvania.

**Fei Xu**, CFA, Portfolio Manager at Vanguard. He has been with Vanguard since 2004 and has managed investment portfolios and co-managed the Fund since 2017. Education: B.S., Peking University; M.S., University of California, Los Angeles; M.B.A., Duke University.

The *Statement of Additional Information* provides information about each portfolio manager’s compensation, other accounts under management, and ownership of shares of the Fund.

**Dividends, Capital Gains, and Taxes**

**Fund Distributions**
The Fund distributes to shareholders virtually all of its net income (interest and dividends, less expenses) as well as any net short-term or long-term capital gains realized from the sale of its holdings. Income and capital gains distributions, if any, generally occur annually in December. In addition, the Fund may occasionally make a supplemental distribution at some other time during the year.

You can receive distributions of income or capital gains in cash, or you can have them automatically reinvested in more shares of the Fund. However, if you are investing through an employer-sponsored retirement or savings plan, your distributions will be automatically reinvested in additional Fund shares.

**Plain Talk About Distributions**

As a shareholder, you are entitled to your portion of a fund’s income from interest, dividends, and other sources as well as capital gains from the fund’s sale of investments. Income consists of, among other things, the dividends that the fund earns from any stock holdings and the interest it receives from any bond investments. In general, capital gains are realized whenever the fund sells investments for higher prices than it paid for them. These capital gains are either short-term or long-term, depending on whether the fund held the investments for one year or less or for more than one year.
Basic Tax Points
Investors in taxable accounts should be aware of the following basic federal income tax points:

• Distributions are taxable to you whether or not you reinvest these amounts in additional Fund shares.
• Distributions declared in December—if paid to you by the end of January—are taxable as if received in December.
• Any dividend distribution or short-term capital gains distribution that you receive is taxable to you as ordinary income. If you are an individual and meet certain holding-period requirements with respect to your Fund shares, you may be eligible for reduced tax rates on “qualified dividend income,” if any, distributed by the Fund.
• Any distribution of net long-term capital gains is taxable to you as long-term capital gains, no matter how long you have owned shares in the Fund.
• Capital gains distributions may vary considerably from year to year as a result of the Fund’s normal investment activities and cash flows.
• A sale or exchange of Fund shares is a taxable event. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your tax return.
• Vanguard (or your intermediary) will send you a statement each year showing the tax status of all of your distributions.

Individuals, trusts, and estates whose income exceeds certain threshold amounts are subject to a 3.8% Medicare contribution tax on “net investment income.” Net investment income takes into account distributions paid by the Fund and capital gains from any sale or exchange of Fund shares.

Dividend distributions and capital gains distributions that you receive, as well as your gains or losses from any sale or exchange of Fund shares, may be subject to state and local income taxes.

This prospectus provides general tax information only. If you are investing through a tax-advantaged account, such as an IRA or an employer-sponsored retirement or savings plan, special tax rules apply. Please consult your tax advisor for detailed information about any tax consequences for you.
Plain Talk About Buying a Dividend

Unless you are investing through a tax-advantaged account (such as an IRA or an employer-sponsored retirement or savings plan), you should consider avoiding a purchase of fund shares shortly before the fund makes a distribution, because doing so can cost you money in taxes. This is known as “buying a dividend.” For example: On December 15, you invest $5,000, buying 250 shares for $20 each. If the fund pays a distribution of $1 per share on December 16, its share price will drop to $19 (not counting market change). You still have only $5,000 (250 shares x $19 = $4,750 in share value, plus 250 shares x $1 = $250 in distributions), but you owe tax on the $250 distribution you received—even if you reinvest it in more shares. To avoid buying a dividend, check a fund’s distribution schedule before you invest.

General Information

Backup withholding. By law, Vanguard must withhold 24% of any taxable distributions or redemptions from your account if you do not:

- Provide your correct taxpayer identification number.
- Certify that the taxpayer identification number is correct.
- Confirm that you are not subject to backup withholding.

Similarly, Vanguard (or your intermediary) must withhold taxes from your account if the IRS instructs us to do so.

Foreign investors. Vanguard funds offered for sale in the United States (Vanguard U.S. funds), including the Fund offered in this prospectus, are not widely available outside the United States. Non-U.S. investors should be aware that U.S. withholding and estate taxes and certain U.S. tax reporting requirements may apply to any investments in Vanguard U.S. funds. Foreign investors should visit the Non-U.S. investors page on our website at vanguard.com for information on Vanguard’s non-U.S. products.

Invalid addresses. If a dividend distribution or capital gains distribution check mailed to your address of record is returned as undeliverable, Vanguard will automatically reinvest the distribution and all future distributions until you provide us with a valid mailing address. Reinvestments will receive the net asset value calculated on the date of the reinvestment.
Share Price

Share price, also known as net asset value (NAV), is calculated each business day as of the close of regular trading on the New York Stock Exchange (NYSE), generally 4 p.m., Eastern time. In the rare event the NYSE experiences unanticipated disruptions and is unavailable at the close of the trading day, NAVs will be calculated as of the close of regular trading on the Nasdaq (or another alternate exchange if the Nasdaq is unavailable, as determined at Vanguard’s discretion), generally 4 p.m., Eastern time. The NAV per share is computed by dividing the total assets, minus liabilities, of the Fund by the number of Fund shares outstanding. On U.S. holidays or other days when the NYSE is closed, the NAV is not calculated, and the Fund does not sell or redeem shares. However, on those days the value of the Fund’s assets may be affected to the extent that the Fund holds securities that change in value on those days (such as foreign securities that trade on foreign markets that are open).

Stocks held by a Vanguard fund are valued at their market value when reliable market quotations are readily available from the principal exchange or market on which they are traded. Such securities are generally valued at their official closing price, the last reported sales price, or if there were no sales that day, the mean between the closing bid and asking prices. Debt securities held by a fund are valued based on information furnished by an independent pricing service or market quotations. When a fund determines that pricing-service information or market quotations either are not readily available or do not accurately reflect the value of a security, the security is priced at its fair value (the amount that the owner might reasonably expect to receive upon the current sale of the security).

The values of any foreign securities held by a fund are converted into U.S. dollars using an exchange rate obtained from an independent third party as of the close of regular trading on the NYSE. The values of any mutual fund shares, including institutional money market fund shares, held by a fund are based on the NAVs of the shares. The values of any ETF shares or closed-end fund shares held by a fund are based on the market value of the shares.

A fund also will use fair-value pricing if the value of a security it holds has been materially affected by events occurring before the fund’s pricing time but after the close of the principal exchange or market on which the security is traded. This most commonly occurs with foreign securities, which may trade on foreign exchanges that close many hours before the fund’s pricing time. Intervening events might be company-specific (e.g., earnings report, merger announcement) or country-specific or regional/global (e.g., natural disaster, economic or political news, act of terrorism, interest rate change). Intervening events include price movements in U.S. markets that exceed a specified threshold or that are otherwise deemed to affect the value of foreign securities.
Fair-value pricing may be used for domestic securities—for example, if (1) trading in a security is halted and does not resume before the fund’s pricing time or a security does not trade in the course of a day and (2) the fund holds enough of the security that its price could affect the NAV. A fund may use fair-value pricing with respect to its fixed income securities on bond market holidays when the fund is open for business (such as Columbus Day and Veterans Day).

Fair-value prices are determined by Vanguard according to procedures adopted by the board of trustees. When fair-value pricing is employed, the prices of securities used by a fund to calculate the NAV may differ from quoted or published prices for the same securities.

Vanguard fund share prices are published daily on our website at vanguard.com/prices.
Financial Highlights

The following financial highlights table is intended to help you understand the Fund’s financial performance for the periods shown, and certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost each period on an investment in the Fund (assuming reinvestment of all distributions). This information has been obtained from the financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report—along with the Fund’s financial statements—is included in the Fund’s most recent annual report to shareholders. You may obtain a free copy of the latest annual or semiannual report by visiting vanguard.com or by contacting Vanguard by telephone or mail.

Alternative Strategies Fund

<table>
<thead>
<tr>
<th>For a Share Outstanding Throughout Each Period</th>
<th>Year Ended October 31,</th>
<th>Aug. 11, 2015 to Oct. 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Asset Value, Beginning of Period</td>
<td>$20.46</td>
<td>$21.28</td>
</tr>
<tr>
<td>Investment Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment Income (Loss)</td>
<td>.197²</td>
<td>.153²</td>
</tr>
<tr>
<td>Net Realized and Unrealized Gain (Loss) on Investments</td>
<td>(.143)</td>
<td>(.139)</td>
</tr>
<tr>
<td>Total from Investment Operations</td>
<td>.054</td>
<td>.014</td>
</tr>
<tr>
<td>Distributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from Net Investment Income</td>
<td>(.104)</td>
<td>(.093)</td>
</tr>
<tr>
<td>Distributions from Realized Capital Gains</td>
<td>—</td>
<td>(.741)</td>
</tr>
<tr>
<td>Total Distributions</td>
<td>(.104)</td>
<td>(.834)</td>
</tr>
<tr>
<td>Net Asset Value, End of Period</td>
<td>$20.41</td>
<td>$20.46</td>
</tr>
<tr>
<td>Total Return³</td>
<td>0.27%</td>
<td>0.11%</td>
</tr>
<tr>
<td>Ratios/Supplemental Data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets, End of Period (Millions)</td>
<td>$320</td>
<td>$292</td>
</tr>
<tr>
<td>Ratio of Total Expenses to Average Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Based on Total Expenses¹⁴⁵</td>
<td>0.66%⁶</td>
<td>0.79%</td>
</tr>
<tr>
<td>Net of Dividend and Borrowing Expense on Securities Sold Short</td>
<td>0.33%⁶</td>
<td>0.35%</td>
</tr>
<tr>
<td>Ratio of Net Investment Income (Loss) to Average Net Assets</td>
<td>0.93%</td>
<td>0.75%</td>
</tr>
<tr>
<td>Portfolio Turnover Rate</td>
<td>131%</td>
<td>125%</td>
</tr>
</tbody>
</table>

1 Inception.
2 Calculated based on average shares outstanding.
3 Total returns do not include account service fees that may have applied in the periods shown.
4 Includes dividend expense on securities sold short of 0.33%, 0.44%, 0.35%, and 0.34%, respectively.
5 Includes borrowing expense on securities sold short of 0.00%, 0.00%, 0.00%, and 0.03%, respectively.
6 The ratio of total expenses to average net assets for the period net of reduction from custody fee offset arrangement was 0.65% and 0.32%, respectively.
7 Annualized.
Investing With Vanguard

This section of the prospectus explains the basics of doing business with Vanguard. Vanguard fund shares can be held directly with Vanguard or indirectly through an intermediary, such as a bank, a broker, or an investment advisor. If you hold Vanguard fund shares directly with Vanguard, you should carefully read each topic within this section that pertains to your relationship with Vanguard. If you hold Vanguard fund shares indirectly through an intermediary including shares held in a brokerage account through Vanguard Brokerage Services®, please see Investing With Vanguard Through Other Firms, and also refer to your account agreement with the intermediary for information about transacting in that account. If you hold Vanguard fund shares through an employer-sponsored retirement or savings plan, please see Employer-Sponsored Plans. Vanguard reserves the right to change the following policies without notice. Please call or check online for current information. See Contacting Vanguard.

For Vanguard fund shares held directly with Vanguard, each fund you hold in an account is a separate “fund account.” For example, if you hold three funds in a nonretirement account titled in your own name, two funds in a nonretirement account titled jointly with your spouse, and one fund in an individual retirement account, you have six fund accounts—and this is true even if you hold the same fund in multiple accounts. Note that each reference to “you” in this prospectus applies to any one or more registered account owners or persons authorized to transact on your account.

Purchasing Shares

Vanguard reserves the right, without notice, to increase or decrease the minimum amount required to open or maintain a fund account or to add to an existing fund account.

Investment minimums may differ for certain categories of investors.

If you are an intermediary who would like to open and maintain an account in the Fund, please note that Vanguard will require your written agreement to provide certain information about fund distributions to your clients on a periodic basis. Intermediaries who establish fund accounts without a written agreement may be prevented from making additional investments in those accounts. If you are an intermediary, please call Vanguard for instructions before you open an account in the Fund.

Account Minimums

To open and maintain an account. $250,000. Institutional clients should contact Vanguard for information on special eligibility rules that may apply to them.

To add to an existing account. Generally $1.
How to Initiate a Purchase Request

Be sure to check *Exchanging Shares, Frequent-Trading Limitations, and Other Rules You Should Know* before placing your purchase request.

**Online.** You may open certain types of accounts, request a purchase of shares, and request an exchange through our website or our mobile application if you are registered for online access.

**By telephone.** You may call Vanguard to begin the account registration process or request that the account-opening forms be sent to you. You may also call Vanguard to request a purchase of shares in your account or to request an exchange. See *Contacting Vanguard*.

**By mail.** You may send Vanguard your account registration form and check to open a new fund account. To add to an existing fund account, you may send your check with an Invest-by-Mail form (from a transaction confirmation or your account statement) or with a deposit slip (available online). For a list of Vanguard addresses, see *Contacting Vanguard*.

How to Pay for a Purchase

**By electronic bank transfer.** You may purchase shares of a Vanguard fund through an electronic transfer of money from a bank account. To establish the electronic bank transfer service on an account, you must designate the bank account online, complete a form, or fill out the appropriate section of your account registration form. After the service is set up on your account, you can purchase shares by electronic bank transfer on a regular schedule (Automatic Investment Plan) or upon request. Your purchase request can be initiated online (if you are registered for online access), by telephone, or by mail.

**By wire.** Wiring instructions vary for different types of purchases. Please call Vanguard for instructions and policies on purchasing shares by wire. See *Contacting Vanguard*.

**By check.** You may make initial or additional purchases to your fund account by sending a check with a deposit slip or by utilizing our mobile application if you are registered for online access. Also see *How to Initiate a Purchase Request*. Make your check payable to Vanguard and include the appropriate fund number (Vanguard—1298).

**By exchange.** You may purchase shares of a Vanguard fund using the proceeds from the simultaneous redemption of shares of another Vanguard fund. You may initiate an exchange online (if you are registered for online access), by telephone, or by mail with an exchange form. See *Exchanging Shares*.
Trade Date

The trade date for any purchase request received in good order will depend on the day and time Vanguard receives your request, the manner in which you are paying, and the type of fund you are purchasing. Your purchase will be executed using the NAV as calculated on the trade date. NAVs are calculated only on days that the NYSE is open for trading (a business day).

For purchases by check into all funds other than money market funds and for purchases by exchange, wire, or electronic bank transfer (not using an Automatic Investment Plan) into all funds: If the purchase request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date for the purchase will be the same day. If the purchase request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date for the purchase will be the next business day.

For purchases by check into money market funds: If the purchase request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date for the purchase will be the next business day. If the purchase request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date for the purchase will be the second business day following the day Vanguard receives the purchase request. Because money market instruments must be purchased with federal funds and it takes a money market mutual fund one business day to convert check proceeds into federal funds, the trade date for the purchase will be one business day later than for other funds.

For purchases by electronic bank transfer using an Automatic Investment Plan: Your trade date generally will be the date you selected for withdrawal of funds from your designated bank account. Your bank account generally will be debited on the business day after your trade date. If the date you selected for withdrawal of funds from your bank account falls on a weekend, holiday, or other nonbusiness day, your trade date generally will be the previous business day. For retirement accounts, if the date you selected for withdrawal of funds from your designated bank account falls on the last business day of the year, your trade date will be the first business day of the following year. Please note that if you select the first of the month for automated withdrawals from your designated bank account, trades designated for January 1 will receive the next business day’s trade date.

If your purchase request is not accurate and complete, it may be rejected. See Other Rules You Should Know—Good Order.

For further information about purchase transactions, consult our website at vanguard.com or see Contacting Vanguard.
Other Purchase Rules You Should Know

Check purchases. All purchase checks must be written in U.S. dollars and must be drawn on a U.S. bank and be accompanied by good order instructions. Vanguard does not accept cash, traveler’s checks, starter checks, or money orders. In addition, Vanguard may refuse checks that are not made payable to Vanguard.

New accounts. We are required by law to obtain from you certain personal information that we will use to verify your identity. If you do not provide the information, we may not be able to open your account. If we are unable to verify your identity, Vanguard reserves the right, without notice, to close your account or take such other steps as we deem reasonable. Certain types of accounts may require additional documentation.

Refused or rejected purchase requests. Vanguard reserves the right to stop selling fund shares or to reject any purchase request at any time and without notice, including, but not limited to, purchases requested by exchange from another Vanguard fund. This also includes the right to reject any purchase request because the investor has a history of frequent trading or because the purchase may negatively affect a fund’s operation or performance.

Large purchases. Call Vanguard before attempting to invest a large dollar amount.

No cancellations. Vanguard will not accept your request to cancel any purchase request once processing has begun. Please be careful when placing a purchase request.

 Redeeming Shares

How to Initiate a Redemption Request
Be sure to check Exchanging Shares, Frequent-Trading Limitations, and Other Rules You Should Know before placing your redemption request.

Online. You may request a redemption of shares or request an exchange through our website or our mobile application if you are registered for online access.

By telephone. You may call Vanguard to request a redemption of shares or an exchange. See Contacting Vanguard.

By mail. You may send a form (available online) to Vanguard to redeem from a fund account or to make an exchange. See Contacting Vanguard.

How to Receive Redemption Proceeds
By electronic bank transfer. You may have the proceeds of a fund redemption sent directly to a designated bank account. To establish the electronic bank transfer service on an account, you must designate a bank account online, complete a form, or fill out the appropriate section of your account registration form. After the service is set up on your account, you can redeem shares by electronic bank transfer on a regular schedule.
(Automatic Withdrawal Plan) or upon request. Your redemption request can be initiated online (if you are registered for online access), by telephone, or by mail.

**By wire.** To receive your proceeds by wire, you may instruct Vanguard to wire your redemption proceeds ($100 minimum) to a previously designated bank account. To establish the wire redemption service, you generally must designate a bank account online, complete a form, or fill out the appropriate section of your account registration form.

Please note that Vanguard charges a $10 wire fee for outgoing wire redemptions. The fee is assessed in addition to, rather than being withheld from, redemption proceeds and is paid directly to the fund in which you invest. For example, if you redeem $100 via a wire, you will receive the full $100, and the $10 fee will be assessed to your fund account with an additional redemption of fund shares. If you redeem your entire fund account, your redemption proceeds will be reduced by the amount of the fee. The wire fee does not apply to accounts held by Flagship and Flagship Select clients; accounts held through intermediaries, including Vanguard Brokerage Services; or accounts held by institutional clients.

**By exchange.** You may have the proceeds of a Vanguard fund redemption invested directly in shares of another Vanguard fund. You may initiate an exchange online (if you are registered for online access), by telephone, or by mail. See *Exchanging Shares*.

**By check.** If you have not chosen another redemption method, Vanguard will mail you a redemption check, generally payable to all registered account owners, normally within two business days of your trade date, and generally to the address of record.

**Trade Date**

The trade date for any redemption request received in good order will depend on the day and time Vanguard receives your request and the manner in which you are redeeming. Your redemption will be executed using the NAV as calculated on the trade date. NAVs are calculated only on days that the NYSE is open for trading (a business day).

For redemptions by check, exchange, or wire: If the redemption request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. If the redemption request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day.

- Note on timing of wire redemptions from money market funds: For telephone requests received by Vanguard on a business day before 10:45 a.m., Eastern time (2 p.m., Eastern time, for Vanguard Prime Money Market Fund; 12:30 p.m., Eastern time, for Vanguard Federal Money Market Fund), the redemption proceeds generally will leave Vanguard by the close of business the same day. For telephone
requests received by Vanguard on a business day after those cut-off times, or on a nonbusiness day, and for all requests other than by telephone, the redemption proceeds generally will leave Vanguard by the close of business on the next business day.

- Note on timing of wire redemptions from all other funds: For requests received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the redemption proceeds generally will leave Vanguard by the close of business on the next business day. For requests received by Vanguard on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the redemption proceeds generally will leave Vanguard by the close of business on the second business day after Vanguard receives the request.

For redemptions by electronic bank transfer using an **Automatic Withdrawal Plan**: Your trade date generally will be the date you selected for withdrawal of funds (redemption of shares) from your Vanguard account. Proceeds of redeemed shares generally will be credited to your designated bank account two business days after your trade date. If the date you selected for withdrawal of funds from your Vanguard account falls on a weekend, holiday, or other nonbusiness day, your trade date generally will be the previous business day. For retirement accounts, if the date you selected for withdrawal of funds from your Vanguard account falls on the last day of the year and if that date is a holiday, your trade date will be the first business day of the following year. Please note that if you designate the first of the month for automated withdrawals, trades designated for January 1 will receive the next business day’s trade date.

For redemptions by **electronic bank transfer** not using an Automatic Withdrawal Plan: If the redemption request is received by Vanguard on a business day before the close of regular trading on the NYSE (generally 4 p.m., Eastern time), the trade date will be the same day. If the redemption request is received on a business day after the close of regular trading on the NYSE, or on a nonbusiness day, the trade date will be the next business day.

If your redemption request is not accurate and complete, it may be rejected. If we are unable to send your redemption proceeds by wire or electronic bank transfer because the receiving institution rejects the transfer, Vanguard will make additional efforts to complete your transaction. If Vanguard is still unable to complete the transaction, we may send the proceeds of the redemption to you by check, generally payable to all registered account owners, or use your proceeds to purchase new shares of the fund from which you sold shares for the purpose of the wire or electronic bank transfer transaction. See **Other Rules You Should Know—Good Order**.

If your redemption request is received in good order, we typically expect that redemption proceeds will be paid by the Fund within one business day of the trade
date; however, in certain circumstances, investors may experience a longer settlement period at the time of the transaction. For further information, see “Potentially disruptive redemptions” and “Emergency circumstances.”

For further information about redemption transactions, consult our website at vanguard.com or see Contacting Vanguard.

Other Redemption Rules You Should Know

Documentation for certain accounts. Special documentation may be required to redeem from certain types of accounts, such as trust, corporate, nonprofit, or retirement accounts. Please call us before attempting to redeem from these types of accounts.

Potentially disruptive redemptions. Vanguard reserves the right to pay all or part of a redemption in kind—that is, in the form of securities—if we reasonably believe that a cash redemption would negatively affect the fund’s operation or performance or that the shareholder may be engaged in market-timing or frequent trading. Under these circumstances, Vanguard also reserves the right to delay payment of the redemption proceeds for up to seven calendar days. By calling us before you attempt to redeem a large dollar amount, you may avoid in-kind or delayed payment of your redemption. Please see Frequent-Trading Limitations for information about Vanguard’s policies to limit frequent trading.

Recently purchased shares. Although you can redeem shares at any time, proceeds may not be made available to you until the fund collects payment for your purchase. This may take up to seven calendar days for shares purchased by check or by electronic bank transfer. If you have written a check on a fund with checkwriting privileges, that check may be rejected if your fund account does not have a sufficient available balance.

Address change. If you change your address online or by telephone, there may be up to a 15-day restriction on your ability to request check redemptions online and by telephone. You can request a redemption in writing (using a form available online) at any time. Confirmations of address changes are sent to both the old and new addresses.

Payment to a different person or address. At your request, we can make your redemption check payable, or wire your redemption proceeds, to a different person or send it to a different address. However, this generally requires the written consent of all registered account owners and may require additional documentation, such as a signature guarantee or a notarized signature. You may obtain a signature guarantee from some commercial or savings banks, credit unions, trust companies, or member firms of a U.S. stock exchange.
No cancellations. Vanguard will not accept your request to cancel any redemption request once processing has begun. Please be careful when placing a redemption request.

Emergency circumstances. Vanguard funds can postpone payment of redemption proceeds for up to seven calendar days. In addition, Vanguard funds can suspend redemptions and/or postpone payments of redemption proceeds beyond seven calendar days at times when the NYSE is closed or during emergency circumstances, as determined by the SEC.

Exchanging Shares

An exchange occurs when you use the proceeds from the redemption of shares of one Vanguard fund to simultaneously purchase shares of a different Vanguard fund. You can make exchange requests online (if you are registered for online access), by telephone, or by mail. See Purchasing Shares and Redeeming Shares.

If the NYSE is open for regular trading (generally until 4 p.m., Eastern time, on a business day) at the time an exchange request is received in good order, the trade date generally will be the same day. See Other Rules You Should Know—Good Order for additional information on all transaction requests.

Vanguard will not accept your request to cancel any exchange request once processing has begun. Please be careful when placing an exchange request.

Call Vanguard before attempting to exchange a large dollar amount. By calling us before you attempt to exchange a large dollar amount, you may avoid delayed or rejected transactions.

Please note that Vanguard reserves the right, without notice, to revise or terminate the exchange privilege, limit the amount of any exchange, or reject an exchange, at any time, for any reason. See Frequent-Trading Limitations for additional restrictions on exchanges.

Frequent-Trading Limitations

Because excessive transactions can disrupt management of a fund and increase the fund’s costs for all shareholders, the board of trustees of each Vanguard fund places certain limits on frequent trading in the funds. Each Vanguard fund (other than money market funds and short-term bond funds, but including Vanguard Short-Term Inflation-Protected Securities Index Fund) limits an investor’s purchases or exchanges into a fund account for 30 calendar days after the investor has redeemed or exchanged out of that fund account. ETF Shares are not subject to these frequent-trading limits.

For Vanguard Retirement Investment Program pooled plans, the limitations apply to exchanges made online or by telephone.
These frequent-trading limitations do not apply to the following:

- Purchases of shares with reinvested dividend or capital gains distributions.
- Discretionary transactions through Vanguard Personal Advisor Services® and Vanguard Institutional Advisory Services®.
- Redemptions of shares to pay fund or account fees.
- Redemptions of shares to remove excess shareholder contributions to certain types of retirement accounts (including, but not limited to, IRAs, certain Individual 403(b)(7) Custodial Accounts, and Vanguard Individual 401(k) Plans).
- Transfers and reregistrations of shares within the same fund.
- Purchases of shares by asset transfer or direct rollover.
- Conversions of shares from one share class to another in the same fund.
- Checkwriting redemptions.
- Section 529 college savings plans.
- Certain approved institutional portfolios and asset allocation programs, as well as trades made by funds or trusts managed by Vanguard or its affiliates that invest in other Vanguard funds. (Please note that shareholders of Vanguard’s funds of funds are subject to the limitations.)

For participants in employer-sponsored defined contribution plans,* the frequent-trading limitations do not apply to:

- Purchases of shares with participant payroll or employer contributions or loan repayments.
- Purchases of shares with reinvested dividend or capital gains distributions.
- Distributions, loans, and in-service withdrawals from a plan.
- Redemptions of shares as part of a plan termination or at the direction of the plan.
- Transactions executed through the Vanguard Managed Account Program.
- Redemptions of shares to pay fund or account fees.
- Share or asset transfers or rollovers.
- Reregistrations of shares.
- Conversions of shares from one share class to another in the same fund.
- Exchange requests submitted by written request to Vanguard. (Exchange requests submitted by fax, if otherwise permitted, are subject to the limitations.)
* The following Vanguard fund accounts are subject to the frequent-trading limitations: SEP-IRAs, SIMPLE IRAs, certain Individual 403(b)(7) Custodial Accounts, and Vanguard Individual 401(k) Plans.

**Accounts Held by Institutions (Other Than Defined Contribution Plans)**
Vanguard will systematically monitor for frequent trading in institutional clients’ accounts. If we detect suspicious trading activity, we will investigate and take appropriate action, which may include applying to a client’s accounts the 30-day policy previously described, prohibiting a client’s purchases of fund shares, and/or revoking the client’s exchange privilege.

**Accounts Held by Intermediaries**
When intermediaries establish accounts in Vanguard funds for the benefit of their clients, we cannot always monitor the trading activity of the individual clients. However, we review trading activity at the intermediary (omnibus) level, and if we detect suspicious activity, we will investigate and take appropriate action. If necessary, Vanguard may prohibit additional purchases of fund shares by an intermediary, including for the benefit of certain of the intermediary’s clients. Intermediaries also may monitor their clients’ trading activities with respect to Vanguard funds.

For those Vanguard funds that charge purchase and/or redemption fees, intermediaries will be asked to assess these fees on client accounts and remit these fees to the funds. The application of purchase and redemption fees and frequent-trading limitations may vary among intermediaries. There are no assurances that Vanguard will successfully identify all intermediaries or that intermediaries will properly assess purchase and redemption fees or administer frequent-trading limitations. If you invest with Vanguard through an intermediary, please read that firm’s materials carefully to learn of any other rules or fees that may apply.

**Other Rules You Should Know**

**Prospectus and Shareholder Report Mailings**
When two or more shareholders have the same last name and address, just one summary prospectus (or prospectus) and/or shareholder report may be sent in an attempt to eliminate the unnecessary expense of duplicate mailings. You may request individual prospectuses and reports by contacting our Client Services Department in writing, by telephone, or online. See *Contacting Vanguard*. 
Vanguard.com
Registration. If you are a registered user of vanguard.com, you can review your account holdings; buy, sell, or exchange shares of most Vanguard funds; and perform most other transactions through our website. You must register for this service online.

Electronic delivery. Vanguard can deliver your account statements, transaction confirmations, prospectuses, certain tax forms, and shareholder reports electronically. If you are a registered user of vanguard.com, you can consent to the electronic delivery of these documents by logging on and changing your mailing preferences under “Account Maintenance.” You can revoke your electronic consent at any time through our website, and we will begin to send paper copies of these documents within 30 days of receiving your revocation.

Telephone Transactions
Automatic. When we set up your account, we will automatically enable you to do business with us by telephone, unless you instruct us otherwise in writing.

Tele-Account®. To obtain fund and account information through Vanguard’s automated telephone service, you must first establish a Personal Identification Number (PIN) by calling Tele-Account at 800-662-6273.

Proof of a caller’s authority. We reserve the right to refuse a telephone request if the caller is unable to provide the requested information or if we reasonably believe that the caller is not an individual authorized to act on the account. Before we allow a caller to act on an account, we may request the following information:

- Authorization to act on the account (as the account owner or by legal documentation or other means).
- Account registration and address.
- Fund name and account number, if applicable.
- Other information relating to the caller, the account owner, or the account.

Good Order
We reserve the right to reject any transaction instructions that are not in “good order.” Good order generally means that your instructions:

- Are provided by the person(s) authorized in accordance with Vanguard’s policies and procedures to access the account and request transactions.
- Include the fund name and account number.
- Include the amount of the transaction (stated in dollars, shares, or percentage).

Written instructions also must generally be provided on a Vanguard form and include:

- Signature(s) and date from the authorized person(s).
• Signature guarantees or notarized signatures, if required for the type of transaction. (Call Vanguard for specific requirements.)
• Any supporting documentation that may be required.

Good order requirements may vary among types of accounts and transactions. For more information, consult our website at vanguard.com or see Contacting Vanguard.

Vanguard reserves the right, without notice, to revise the requirements for good order.

Future Trade-Date Requests
Vanguard does not accept requests to hold a purchase, redemption, or exchange transaction for a future date. All such requests will receive trade dates as previously described in Purchasing Shares, Redeeming Shares, and Exchanging Shares. Vanguard reserves the right to return future-dated purchase checks.

Accounts With More Than One Owner
If an account has more than one owner or authorized person, Vanguard generally will accept instructions from any one owner or authorized person.

Responsibility for Fraud
Vanguard will not be responsible for any account losses because of fraud if we reasonably believe that the person transacting business on an account is authorized to do so. Please take precautions to protect yourself from fraud. Keep your account information private, and immediately review any account statements or other information that we provide to you. It is important that you contact Vanguard immediately about any transactions or changes to your account that you believe to be unauthorized.

Uncashed Checks
Please cash your distribution or redemption checks promptly. Vanguard will not pay interest on uncashed checks. Vanguard may be required to transfer assets related to uncashed checks to a state under the state’s abandoned property law.

Dormant Accounts
If your account has no activity in it for a period of time, Vanguard may be required to transfer it to a state under the state’s abandoned property law, subject to potential federal or state withholding taxes.
Unusual Circumstances
If you experience difficulty contacting Vanguard online or by telephone, you can send us your transaction request on a Vanguard form by regular or express mail. See Contacting Vanguard for addresses.

Investing With Vanguard Through Other Firms
You may purchase or sell shares of most Vanguard funds through a financial intermediary, such as a bank, a broker, or an investment advisor. Please consult your financial intermediary to determine which, if any, shares are available through that firm and to learn about other rules that may apply. Your financial intermediary can provide you with account information and any required tax forms. You may be required to pay a commission on purchases of mutual fund shares made through a financial intermediary.

Please see Frequent-Trading Limitations—Accounts Held by Intermediaries for information about the assessment of any purchase or redemption fees and the monitoring of frequent trading for accounts held by intermediaries.

Account Service Fee
Vanguard charges a $20 account service fee on fund accounts that have a balance below $10,000 for any reason, including market fluctuation. The account service fee applies to both retirement and nonretirement fund accounts and will be assessed on fund accounts in all Vanguard funds, regardless of the account minimum. The fee, which will be collected by redeeming fund shares in the amount of $20, will be deducted from a fund account only once per calendar year.

If you register on vanguard.com and elect to receive electronic delivery of statements, reports, and other materials for all of your fund accounts, the account service fee for balances below $10,000 will not be charged, so long as that election remains in effect.

The account service fee also does not apply to the following:

- Money market sweep accounts owned in connection with a Vanguard Brokerage Services account.*
- Accounts held through intermediaries.*
- Accounts held by institutional clients.
- Accounts held by Voyager, Voyager Select, Flagship, and Flagship Select clients. Eligibility is based on total household assets held at Vanguard, with a minimum of $50,000 to qualify for Vanguard Voyager Services®, $500,000 for Vanguard Voyager Select Services®, $1 million for Vanguard Flagship Services®, and $5 million for Vanguard Flagship Select Services®. Vanguard determines eligibility by aggregating assets of all qualifying accounts held by the investor and immediate family members who reside at the same address. Aggregate assets include investments in Vanguard
mutual funds, Vanguard ETFs®, certain annuities through Vanguard, the Vanguard 529 Plan, and certain small-business accounts. Assets in employer-sponsored retirement plans for which Vanguard provides recordkeeping services may be included in determining eligibility if the investor also has a personal account holding Vanguard mutual funds. Note that assets held in a Vanguard Brokerage Services account (other than Vanguard funds, including Vanguard ETFs) are not included when determining a household’s eligibility.

- Participant accounts in employer-sponsored defined contribution plans.** Please consult your enrollment materials for the rules that apply to your account.
- Section 529 college savings plans.

* Please note that intermediaries, including Vanguard Brokerage Services, may charge a separate fee.

** The following Vanguard fund accounts have alternative fee structures: SIMPLE IRAs, certain Individual 403(b)(7) Custodial Accounts, Vanguard Retirement Investment Program pooled plans, and Vanguard Individual 401(k) Plans.

Low-Balance Accounts
The Fund reserves the right to liquidate a fund account whose balance falls below the account minimum for any reason, including market fluctuation. This liquidation policy applies to nonretirement fund accounts and accounts that are held through intermediaries. Any such liquidation will be preceded by written notice to the investor.

Right to Change Policies
In addition to the rights expressly stated elsewhere in this prospectus, Vanguard reserves the right, without notice, to (1) alter, add, or discontinue any conditions of purchase (including eligibility requirements), redemption, exchange, service, or privilege at any time; (2) accept initial purchases by telephone; (3) freeze any account and/or suspend account services if Vanguard has received reasonable notice of a dispute regarding the assets in an account, including notice of a dispute between the registered or beneficial account owners, or if Vanguard reasonably believes a fraudulent transaction may occur or has occurred; (4) temporarily freeze any account and/or suspend account services upon initial notification to Vanguard of the death of the shareholder until Vanguard receives required documentation in good order; (5) alter, impose, discontinue, or waive any purchase fee, redemption fee, account service fee, or other fees charged to a shareholder or a group of shareholders; and (6) redeem an account or suspend account privileges, without the owner’s permission to do so, in cases of threatening conduct or activity Vanguard believes to be suspicious, fraudulent, or illegal. Changes may affect any or all investors. These actions will be taken when, at the sole discretion of Vanguard management, Vanguard reasonably believes they are in the best interest of a fund.
Fund and Account Updates

Confirmation Statements
We will send (or provide through our website, whichever you prefer) a confirmation of your trade date and the amount of your transaction when you buy, sell, or exchange shares. However, we will not send confirmations reflecting only checkwriting redemptions or the reinvestment of dividend or capital gains distributions. For any month in which you had a checkwriting redemption, a Checkwriting Activity Statement will be sent to you itemizing the checkwriting redemptions for that month. Promptly review each confirmation statement that we provide to you. It is important that you contact Vanguard immediately with any questions you may have about any transaction reflected on a confirmation statement, or Vanguard will consider the transaction properly processed.

Portfolio Summaries
We will send (or provide through our website, whichever you prefer) quarterly portfolio summaries to help you keep track of your accounts throughout the year. Each summary shows the market value of your account at the close of the statement period, as well as all distributions, purchases, redemptions, exchanges, and transfers for the current calendar quarter (or month). Promptly review each summary that we provide to you. It is important that you contact Vanguard immediately with any questions you may have about any transaction reflected on the summary, or Vanguard will consider the transaction properly processed.

Tax Information Statements
For most accounts, Vanguard (or your intermediary) is required to provide annual tax forms to assist you in preparing your income tax returns. These forms are generally available for each calendar year early in the following year. Registered users of vanguard.com can also view certain forms through our website. Vanguard (or your intermediary) may also provide you with additional tax-related documentation. For more information, consult our website at vanguard.com or see Contacting Vanguard.

Annual and Semiannual Reports
We will send (or provide through our website, whichever you prefer) reports about Vanguard Alternative Strategies Fund twice a year, in June and December. These reports include overviews of the financial markets and provide the following specific Fund information:

- Performance assessments and comparisons with industry benchmarks.
- Reports from the advisor.
- Financial statements with listings of Fund holdings.
Portfolio Holdings

Please consult the Fund’s Statement of Additional Information or our website for a description of the policies and procedures that govern disclosure of the Fund’s portfolio holdings.

Employer-Sponsored Plans

Your plan administrator or your employee benefits office can provide you with detailed information on how to participate in your plan and how to elect the Fund as an investment option.

- If you have any questions about the Fund or Vanguard, including those about the Fund’s investment objective, strategies, or risks, contact Vanguard Participant Services toll-free at 800-523-1188 or visit our website at vanguard.com.
- If you have questions about your account, contact your plan administrator or the organization that provides recordkeeping services for your plan.
- Be sure to carefully read each topic that pertains to your transactions with Vanguard.

Vanguard reserves the right to change its policies without notice to shareholders.

Transactions

Processing times for your transaction requests may differ among recordkeepers or among transaction and funding types. Your plan’s recordkeeper (which may also be Vanguard) will determine the necessary processing time frames for your transaction requests prior to submission to the Fund. Consult your recordkeeper or plan administrator for more information.

If Vanguard is serving as your plan recordkeeper and if your transaction involves one or more investments with an early cut-off time for processing or another trading restriction, your entire transaction will be subject to the restriction when the trade date for your transaction is determined.
## Contacting Vanguard

### Web

| Vanguard.com | For the most complete source of Vanguard news  
For fund, account, and service information  
For most account transactions  
For literature requests  
24 hours a day, 7 days a week |

### Phone

| Vanguard Tele-Account® 800-662-6273 | For automated fund and account information  
Toll-free, 24 hours a day, 7 days a week |
| Investor Information 800-662-7447  
(Text telephone for people with hearing impairment at 800-749-7273) | For fund and service information  
For literature requests |
| Client Services 800-662-2739  
(Text telephone for people with hearing impairment at 800-749-7273) | For account information  
For most account transactions |
| Participant Services 800-523-1188  
(Text telephone for people with hearing impairment at 800-749-7273) | For information and services for participants in employer-sponsored plans |
| Institutional Division 888-809-8102 | For information and services for large institutional investors |
| Financial Advisor and Intermediary Sales Support 800-997-2798 | For information and services for financial intermediaries including financial advisors, broker-dealers, trust institutions, and insurance companies |
| Financial Advisory and Intermediary Trading Support 800-669-0498 | For account information and trading support for financial intermediaries including financial advisors, broker-dealers, trust institutions, and insurance companies |
Vanguard Addresses
Please be sure to use the correct address and the correct form. Use of an incorrect address or form could delay the processing of your transaction.

Regular Mail (Individuals) The Vanguard Group
P.O. Box 1110
Valley Forge, PA 19482-1110

Regular Mail (Institutions, Intermediaries, and Employer-Sponsored Plan Participants) The Vanguard Group
P.O. Box 2900
Valley Forge, PA 19482-2900

Registered, Express, or Overnight Mail The Vanguard Group
455 Devon Park Drive
Wayne, PA 19087-1815

Additional Information

<table>
<thead>
<tr>
<th>Inception Date</th>
<th>Newspaper Abbreviation</th>
<th>Vanguard Fund Number</th>
<th>CUSIP Number</th>
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<td>8/11/2015</td>
<td>VanAltStrat</td>
<td>1298</td>
<td>921939609</td>
</tr>
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</table>

CFA® is a registered trademark owned by CFA Institute.
Related Performance

Previously, the advisor managed an account (“Related Account”) with investment objectives, policies, and strategies that were substantially similar to those of the Fund. The Related Account, however, was not subject to the investment limitations, diversification requirements, and other restrictions of the Investment Company Act of 1940 and the Internal Revenue Code, which, if applicable, may have adversely affected performance results. The Related Account ceased operations on July 31, 2015.

The performance of the Related Account does not represent the past performance of the Fund, and you should not consider the performance of the Related Account as indicative of the future performance of the Fund. The performance of the Fund may be greater than or less than the performance of the Related Account due to, among other things, the number of holdings in and composition of the Fund’s portfolio, as well as the asset size and cash flow differences between the Fund and the Related Account.

Annual Total Returns of Related Account
The following bar chart and table set forth the performance of the Related Account, calculated net of actual fees and expenses. The bar chart shows how the performance of the Related Account has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the Related Account compare with those of relevant market indexes. Keep in mind that the Related Account’s past performance does not indicate how the Fund will perform in the future.

Annual Total Returns — Related Account

<table>
<thead>
<tr>
<th>Year</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.42%</td>
</tr>
<tr>
<td>2011</td>
<td>13.19%</td>
</tr>
<tr>
<td>2012</td>
<td>12.28%</td>
</tr>
<tr>
<td>2013</td>
<td>3.15%</td>
</tr>
<tr>
<td>2014</td>
<td>-5.49%</td>
</tr>
</tbody>
</table>

The year-to-date return as of July 31, 2015, was 3.02%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 8.68% (quarter ended March 31, 2012), and the lowest return for a quarter was –3.64% (quarter ended March 31, 2014).
### Average Annual Total Returns for Periods Ended July 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>5 Years</th>
<th>Since Inception (Sep. 10, 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Related Account</strong></td>
<td>4.69%</td>
<td>5.76%</td>
<td>5.28%</td>
</tr>
<tr>
<td><strong>Comparative Benchmarks</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(reflect no deduction for fees or expenses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citigroup 3-Month U.S. Treasury Bill Index (Daily)</td>
<td>0.02%</td>
<td>0.05%</td>
<td>0.06%</td>
</tr>
<tr>
<td>Standard &amp; Poor's 500 Index</td>
<td>11.21%</td>
<td>16.24%</td>
<td>15.00%</td>
</tr>
</tbody>
</table>

1 The Related Account was closed as of July 31, 2015.
Glossary of Investment Terms

**Absolute Return Investing.** An investment strategy that seeks capital appreciation over the long term while exhibiting low correlation with the returns of traditional capital markets (e.g., U.S. stock market).

**Bond.** A debt security (IOU) issued by a corporation, a government, or a government agency in exchange for the money the bondholder lends it. In most instances, the issuer agrees to pay back the loan by a specific date and generally to make regular interest payments until that date.

**Borrowing Expense on Securities Sold Short.** A fee charged by a fund’s broker when a fund sells a stock short. This fee is calculated on a daily basis, based upon the market value of the stock sold short and a variable rate that is dependent upon the availability of the stock.

**Capital Gains Distributions.** Payments to mutual fund shareholders of gains realized on securities that a fund has sold at a profit, minus any realized losses.

**Cash Equivalent Investments.** Cash deposits, short-term bank deposits, and money market instruments that include U.S. Treasury bills and notes, bank certificates of deposit (CDs), repurchase agreements, commercial paper, and banker’s acceptances.

**Commodities.** Bulk goods or raw materials, such as agricultural products, livestock, precious metals, energy products, and industrial metals. Commodities can be purchased for immediate delivery (“on the spot”) or delivery on a future date under a standardized agreement.

**Commodity Futures Contract.** A legally binding agreement for the purchase or sale of a specified type and quantity of a commodity during a stated delivery month for a fixed price.

**Common Stock.** A security representing ownership rights in a corporation.

**Correlation.** The relationship between two variables, such as the relationship between the prices of stocks and bonds. Investments that are positively correlated have prices that tend to move in the same direction at the same time, while investments that are negatively correlated have prices that tend to move in opposite directions at the same time. Investments with low correlation have prices that tend to move independently of each other.

**Dividend Distributions.** Payments to mutual fund shareholders of income from interest or dividends generated by a fund’s investments.

**Dividend Expense on Securities Sold Short.** The amount of money that a fund is required to pay to a lender of stock that the fund has sold short when a dividend has been declared on the stock.
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 it does not include the transaction costs of buying and selling portfolio securities.

Face Value. The amount to be paid at a bond’s maturity; also known as the par value or principal.

Fixed Income Security. An investment, such as a bond, representing a debt that must be repaid by a specified date, and on which the borrower must pay a fixed, variable, or floating rate of interest.

FTSE 3-Month US T-Bill Index + 4 %. An index that tracks the daily performance of 3-month U.S. treasury bills, plus an annual equivalent rate of 4%.

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 generally measured from the inception date.

Investment-Grade Bond. A debt security whose credit quality is considered by independent bond rating agencies, or through independent analysis conducted by a fund’s advisor, to be sufficient to ensure timely payment of principal and interest under current economic circumstances. Debt securities rated in one of the four highest rating categories are considered investment-grade. Other debt securities may be considered by an advisor to be investment-grade.

Joint Committed Credit Facility. The Fund participates, along with other funds managed by Vanguard, in a committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each Vanguard fund is individually liable for its borrowings, if any, under the credit facility. The amount and terms of the committed credit facility are subject to approval by the Fund’s board of trustees and renegotiation with the lender syndicate on an annual basis.

Mutual Fund. An investment company that pools the money of many people and invests it in a variety of securities in an effort to achieve a specific objective over time.

New York Stock Exchange (NYSE). A stock exchange based in New York City that is open for regular trading on business days, Monday through Friday, from 9:30 a.m. to 4 p.m., Eastern time.

Nominal Return. The total return of an investment without taking into account the expected impact of inflation.
Principal. The face value of a debt instrument or the amount of money put into an investment.

Record Date. The date used to determine who is eligible to receive a fund’s next distribution of dividends or capital gains.

Real Return. The total return of an investment when reduced to take into account the expected impact of inflation.

Short Sale. A transaction in which a fund sells a stock it does not own and then borrows the stock from a lender in order to settle the transaction. A fund will engage in short sales when its advisor believes that the price of the stock will decline or underperform.

Total Return. A percentage change, over a specified time period, in a mutual fund’s net asset value, assuming the reinvestment of all distributions of dividends and capital gains.

Volatility. The fluctuations in value of a mutual fund or other security. The greater a fund’s volatility, the wider the fluctuations in its returns.

Yield. Income (interest or dividends) earned by an investment, expressed as a percentage of the investment’s price.
For More Information
If you would like more information about Vanguard Alternative Strategies Fund, the following documents are available free upon request:

Annual/Semiannual Reports to Shareholders
Additional information about the Fund's investments is available in the Fund’s annual and semiannual reports to shareholders. In the annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year.

Statement of Additional Information (SAI)
The SAI provides more detailed information about the Fund and is incorporated by reference into (and thus legally a part of) this prospectus.

To receive a free copy of the latest annual or semiannual report or the SAI, or to request additional information about the Fund or other Vanguard funds, please visit vanguard.com or contact us as follows:

If you are an individual investor:
The Vanguard Group
Investor Information Department
P.O. Box 2600
Valley Forge, PA 19482-2600
Telephone: 800-662-7447; Text telephone for people with hearing impairment: 800-749-7273

If you are a participant in an employer-sponsored plan:
The Vanguard Group
Participant Services
P.O. Box 2900
Valley Forge, PA 19482-2900
Telephone: 800-523-1188; Text telephone for people with hearing impairment: 800-749-7273

If you are a current Vanguard shareholder and would like information about your account, account transactions, and/or account statements, please call:

Client Services Department
Telephone: 800-662-2739; Text telephone for people with hearing impairment: 800-749-7273

Information Provided by the Securities and Exchange Commission (SEC)
Reports and other information about the Fund are available in the EDGAR database on the SEC’s website at www.sec.gov, or you can receive copies of this information, for a fee, by electronic request at the following email address: publicinfo@sec.gov.

Fund's Investment Company Act file number: 811-02968-99