



Vanguard[®] U.S. Fundamental Value Fund

28 February 2011

Investment objective

The fund seeks to provide long-term capital growth by investing mainly in large companies whose stocks are considered undervalued.

Investment strategy

The fund employs an "active management" strategy to invest mainly in U.S. large-capitalisation stocks. The fund's Sub-Investment Manager, Pzena Investment Management, LLC ("Pzena"), uses a disciplined, research-driven process to invest in deeply undervalued stocks. Pzena seeks to invest in companies with sustainable fundamental strength whose stock prices are cheap due to investors' overreactions to temporary factors.

Fund returns***Vanguard U.S. Fundamental Value Fund—USD**

	Investor Shares		Russell 1000 Value Index
	Net of expenses	Gross of expenses	Investor Shares
1 month	3.53%	3.60%	3.69%
3 months	14.23	14.50	14.40
Year to date	6.74	6.91	6.04
1 year	21.05	22.20	22.16
3 years	0.79	1.75	0.22
5 years	-1.79	-0.85	1.57
Since inception	0.99	1.95	3.59

Vanguard U.S. Fundamental Value Fund—GBP

	Investor Shares		Russell 1000 Value Index in GBP
	Net of expenses	Gross of expenses	Investor Shares
1 month	1.95%	2.02%	2.30%
3 months	9.37	9.63	9.70
Year to date	2.75	2.90	1.73
1 year	13.29	14.38	14.54
3 years	8.02	9.05	7.14
Since inception	-0.31	0.64	2.67

*Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions.

Total expense ratio

	Investor Shares
Administrative and other expenses	0.45%
Investment management expenses	0.50
Total expense ratio	0.95%

Fund facts

	Investor Shares
Inception date	
USD	03 May 2005
GBP	19 December 2006
Purchase fee	0.00%
Redemption fee	0.00%
Fund codes (USD)	
Bloomberg	VANUSFD
CUSIP	G9318T388
ISIN	IE0034156905
Sedol	3415690
Valoren	2151915
Vanguard Fund Code	VUFVD
Fund codes (GBP)	
Bloomberg	VANUSFS
ISIN	IE00B1L8DW20
Sedol	B1L8DW2
Valoren	2849973
Vanguard Fund Code	VUFFD
Minimum initial investment	
USD/GBP	100,000

Domicile	Ireland	Currencies	USD, GBP
Trading frequency	Daily (16.00 GMT cutoff)	Settlement	T+3
Total assets	USD (millions) 56	Structure	UCITS III
	EUR (millions) 40		

Investment Manager

The Vanguard Group, Inc. (Vanguard)
Pzena Investment Management, LLC

Richard S. Pzena, Managing Principal, CEO and Founder
Portfolio manager.
Advised the fund since 2005.
Worked in investment management since 1984.
B.S., University of Pennsylvania.
M.B.A., Wharton School of the University of Pennsylvania.

John P. Goetz, Managing Principal, Research
Portfolio manager.
Advised the fund since 2005.
Worked in investment management since 1996.
B.A., Wheaton College.
M.B.A., Kellogg School at Northwestern University.

Antonio DeSpirito, III, Portfolio manager.
Advised the fund since 2005.
Worked in investment management since 1996.
With Pzena since 2005.
B.S., University of Pennsylvania.
J.D., Harvard Law School.

Vanguard® U.S. Fundamental Value Fund

Quarterly fund commentary as at 31 December 2010

- For the fourth quarter, the fund modestly underperformed its benchmark, the Russell 1000 Value Index, as stock selection in the financials, industrials, and energy sectors held back results. In the financials sector, UBS (-4%), which was not held in the index and Allstate (+2%) were the largest detractors on a relative basis. An overweight in L-3 Communications Holdings (+4%) within industrials also held back results, as did a position in BP (+8%), a holding not in the benchmark.
- The fund's position in utilities and consumer discretionary helped offset some of the negative results. An underweight in utilities contributed to performance; as did good stock selection, with Edison International (+13%) and Exelon Corp. (-1%) acting as headwinds. Overweight positions in J.C. Penney (+20%) and Fortune Brands (+23%) in the consumer discretionary sector continued to help results.
- For the calendar year 2010, the fund modestly outperformed the index, as stock selection in the financials sector in holdings such as Torchmark Corp. (+38%) and Comerica Inc. (+44%) helped drive results. Selection within consumer discretionary also benefited the fund, as J.C. Penney (+25%) and Magna International (+108%) rallied. Stock selection in the industrials sector was the primary drag on performance for the year, as L-3 Communications Holdings (-17%) negatively impacted results.

All returns are based in U.S. dollars.

Fund characteristics

	U.S. Fundamental Value Fund	Russell 1000 Value Index
Number of stocks	39	665
Median market cap	\$15.9B	\$39.9B
Price/earnings ratio	12.0x	16.4x
Price/book ratio	1.5x	1.7x
Return on equity	17.3%	14.5%
Earnings growth rate	2.0%	-0.1%
Non-U.S. holdings	6.6%	0.0%
Cash investments	0.9%	—
Turnover rate	85%	—
Equity yield (dividend)	1.6%	2.1%

The PTR (Portfolio Turnover Rate) approach considers the total security purchases and sales, the total subscriptions and redemptions and the average net assets of the fund to calculate the turnover figure. Data as at 31 December 2010.

Sector diversification (% of common stock)

	U.S. Fundamental Value Fund	Russell 1000 Value Index
Consumer Discretionary	9.9%	8.1%
Consumer Staples	1.5	9.4
Energy	9.5	13.5
Financials	35.7	27.6
Health Care	11.6	12.1
Industrials	10.3	9.3
Information Technology	14.2	5.5
Materials	4.9	3.1
Telecommunication Service	0.0	4.8
Utilities	2.4	6.6
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Investor Shares	0.95	1.26

R-squared and beta are calculated from trailing 36-month fund returns relative to the Russell 1000 Value Index.

Ten largest stocks as % of total net assets

	U.S. Fundamental Value Fund
Hewlett-Packard Co.	4.7%
Exxon Mobil Corp.	4.6
Northrop Grumman Corp.	3.9
L-3 Communications Holdings Inc.	3.7
Allstate Corp.	3.6
UBS AG	3.3
BP plc ADR	3.2
Omnicom Group Inc.	3.1
Torchmark Corp.	3.1
Axis Capital Holdings Ltd.	3.0
Total	36.2%

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