



Vanguard® U.S. Fundamental Value Fund

30 June 2010

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	-7.67%	-7.60%	-5.63%
3 months	-13.53	-13.32	-11.14
Year to date	-5.05	-4.60	-5.12
1 year	20.70	21.86	16.92
3 years	-16.53	-15.73	-12.32
5 years	-4.97	-4.06	-1.64
Since inception	-3.92	-3.00	-0.96

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	-10.77%	-10.70%	-8.36%
3 months	-12.32	-12.11	-9.79
Year to date	2.49	2.97	2.40
1 year	32.86	34.13	28.64
3 years	-7.75	-6.87	-3.31
Since inception	-5.32	-4.41	-1.74

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
Vanguard Fund Code	VUFVD
Fund codes (GBP)	
Bloomberg	VANUSFS
ISIN	IE00B1L8DW20
Sedol	B1L8DW2
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) 44	Structure	UCITS III
	EUR (millions) 36		

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.

*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.

Vanguard® U.S. Fundamental Value Fund

Quarterly fund commentary as at 30 June 2010

- For the second quarter, the fund trailed its benchmark index, the Russell 1000 Value Index, as stock selection in the energy, industrial, and information technology sectors weighed on the fund's results. In the energy sector, the fund's exposure to BP (-50%), which was battered as a result of the oil rig disaster in the Gulf of Mexico, accounted for all of the fund's underperformance in the sector, as the index, which is made up solely of U.S.-based companies, had no exposure to the stock.
- In the industrials sector, L-3 Communications Holdings (-22%) and Masco (-30%) hurt relative results. In the information technology sector, CA Technologies (-21%), Microsoft (-21%), which fared worse during the fund's holding period of the stock than during the second quarter, and Dell (-20%) were the primary contributors to the poor results.
- For the 12 months ended 30 June, the fund outpaced the results of the index, bolstered by the fund's good selection in the financial and health care sectors and an underweighted position in the energy sector. The fund's success in the financial sector was driven by strong performance of stocks that had faced significant pressure during the financial crisis of 2007 through 2010. Capital One Financial (+85%), Comerica (+75%), Hartford Financial Services Group (+88%), and Citigroup (+27%) were among the top contributors. In the health care sector, Cardinal Health (+56%) and the fund's lack of exposure to Pfizer (-1%) also helped results.

All returns are based in U.S. dollars.

Fund characteristics

	U.S. Fundamental Value Fund	Russell 1000 Value Index
Number of stocks	44	668
Median market cap	\$11.5B	\$28.5B
Price/earnings ratio	16.3x	16.0x
Price/book ratio	1.3x	1.4x
Return on equity	15.8%	15.3%
Earnings growth rate	-4.1%	0.8%
Foreign holdings	7.0%	0.0%
Cash investments	0.8%	—
Turnover rate	86%	—
Equity yield (dividend)	1.9%	2.5%

The PTR 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 2009.

Sector diversification (% of common stock)

	U.S. Fundamental Value Fund	Russell 1000 Value Index
Consumer Discretionary	8.4%	7.4%
Consumer Staples	4.0	10.6
Energy	10.0	10.6
Financials	35.1	28.5
Health Care	9.5	13.4
Industrials	13.2	8.8
Information Technology	12.5	5.5
Materials	3.1	2.9
Telecommunication Services	0.0	4.9
Utilities	4.2	7.4
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Investor Shares	0.93	1.28

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

Ten largest holdings

	U.S. Fundamental Value Fund
Exxon Mobil Corp.	4.3%
Northrop Grumman Corp.	4.2
Allstate Corp.	3.8
Omnicom Group Inc.	3.5
Tyco Electronics Ltd.	3.3
Torchmark Corp.	3.2
UBS AG	3.1
CA Inc.	3.0
L-3 Communications Holdings Inc.	3.0
JC Penney Co. Inc.	2.9
Total	34.3%

For more information

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