

Vanguard® U.S. Opportunities Fund

28 February 2011

Investment objective

The fund seeks to provide long-term growth of capital by investing in stocks with above-average earnings growth potential that is not reflected in their current market prices.

Investment strategy

The fund invests mainly in U.S. stocks, with an emphasis on companies that are considered to have prospects for rapid earnings growth. The fund's Investment Manager, PRIMECAP Management Company ("PRIMECAP"), uses fundamental research to identify stocks that are expected to outperform the market over a three to five-year time horizon and that are available at attractive prices relative to their fundamental values. The fund has the flexibility to invest in companies of any size, but it mostly invests in small- and mid-cap stocks.

Total expense ratio

	Investor Shares	Institutional Shares
Administrative and other expenses	0.45%	0.35%
Investment management expenses	0.50	0.50
Total expense ratio	0.95%	0.85%

Fund returns*

Vanguard U.S. Opportunities Fund—USD

	Investor Shares		Institutional Shares		Russell 3000 Index	
	Net of expenses	Gross of expenses	Net of expenses	Gross of expenses	Investor Shares	Institutional Shares
1 month	3.36%	3.44%	3.37%	3.44%	3.64%	3.64%
3 months	9.44	9.70	9.47	9.70	13.08	13.08
Year to date	4.72	4.88	4.74	4.88	5.90	5.90
1 year	20.95	22.11	21.08	22.11	24.25	24.25
3 years	7.97	9.00	8.09	9.01	3.06	3.06
5 years	7.79	8.82	7.91	8.83	3.21	3.21
Since inception	15.00	16.10	12.32	13.28	6.52	4.61

Vanguard U.S. Opportunities Fund—EUR

	Investor Shares		Russell 3000 Index in EUR	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	2.60%	2.68%	2.93%	
3 months	3.14	3.38	6.91	
Year to date	1.71	1.87	2.63	
1 year	19.50	20.64	22.54	
3 years	11.43	12.49	6.40	
Since inception	4.69	5.69	0.40	

Vanguard U.S. Opportunities Fund—GBP

	Investor Shares		Russell 3000 Index in GBP	
	Net of expenses	Gross of expenses	Investor Shares	
1 month	1.79%	1.87%	2.26%	
3 months	4.79	5.03	8.44	
Year to date	0.80	0.96	1.61	
1 year	13.21	14.29	16.50	
3 years	15.47	16.57	10.18	
Since inception	10.64	11.69	5.74	

*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.

†Each of these individuals manages a portion of the Fund's assets autonomously; there is no decision-making by committee. A small portion of the Fund's assets is managed by individuals at PRIMECAP's research department.

Fund facts

	Investor Shares	Institutional Shares
Inception date		
USD	01 July 2002	08 April 2002
EUR	04 December 2006	—
GBP	19 December 2006	—
Purchase fee	0.00%	0.00%
Redemption fee	0.00%	0.00%
Fund codes (USD)		
Bloomberg	VANGUOA	VANGUOD
CUSIP	G9318R234	G9318R119
ISIN	IE00B03HCW31	IE00B03HCY54
Sedol	B03HCW3	B03HCY5
Valoren	1439491	1408248
Vanguard Fund Code	VUSVU	VUSSU
Fund codes (EUR)		
Bloomberg	VANGUOE	—
ISIN	IE00B03HCV24	—
Sedol	B03HCV2	—
Valoren	1439496	—
Vanguard Fund Code	VUSVE	—
Fund codes (GBP)		
Bloomberg	VANGUOG	—
ISIN	IE00B1GH616	—
Sedol	B1GH616	—
Valoren	2789282	—
Vanguard Fund Code	VUSSD	—
Minimum initial investment		
USD/EUR/GBP	100,000	500,000

Investment Manager†

The Vanguard Group, Inc. (Vanguard) PRIMECAP Management Company

Howard B. Schow, Chairman
Portfolio manager.
Advised the fund since 2002.
Worked in investment management since 1956.
B.A., Williams College.
M.B.A., Harvard Business School.

Theo A. Kolokotronis, President
Portfolio manager.
Advised the fund since 2002.
Worked in investment management since 1970.
B.A., University of Chicago.
M.B.A., Harvard Business School.

Joel P. Fried, Executive Vice President
Portfolio manager.
Advised the fund since 2002.
Worked in investment management since 1985.
B.S., University of California, Los Angeles.
M.B.A., Anderson Graduate School of Business, University of California, Los Angeles.

Alfred W. Mordecai, Executive Vice President
Portfolio manager.
Advised the fund since 2002.
Worked in investment management since 1997.
B.S.E., Duke University.
M.E.A., Virginia Polytechnic Institute and State University.
M.B.A., Harvard Business School.

M. Mohsin Ansari, Senior Vice President
Portfolio manager.
Advised the fund since 2002.
Worked in investment management since 2000.
B.A., Colgate University.
B.S., Washington University.
M.B.A., Harvard Graduate School of Business Administration.

Vanguard® U.S. Opportunities Fund

Quarterly fund commentary as at 31 December 2010

- The fourth quarter closed out a strong year for equity markets as investors reacted positively to increased consumer spending and improved corporate earnings. The Russell 3000 Index—a broad measure of the stock market—returned 11.59%. During the period, the U.S. Opportunities Fund underperformed the broad market by about 2 percentage points.
- The fund's relative performance was hurt by a significant overweight to the health care sector, coupled with poor stock selection. Within health care, the fund's selections in biotechnology firms Dendreon (-15%) and Crucell (-6%) were the top relative detractors. Dendreon stock experienced some volatility as investors have continued to digest the implications for the company's launch of Provenge, a treatment for advanced prostate cancer.
- The fund's other major sector allocation is information technology, a sector representing approximately 33% of the fund. The sector was the largest relative contributor and the fund benefited from strong stock selection. Flextronics International (+30%) and FARO Technologies (+51%) were top relative contributors. Flextronics beat revenue expectations in October with strong growth coming from its consumer digital and mobile/infrastructure business lines.
- In contrast to the fourth-quarter performance, stock selection in the information technology and health care sectors was particularly strong for the 12-month period ended 31 December. Technology holdings 3PAR (+178%) and Stratasys (+89%), as well as health care stocks Crucell (+55%), Cepheid (+82%), and Dendreon (+33%), helped the fund outperform its benchmark. For the period, the fund finished slightly ahead of the Russell 3000 Index, which returned 16.93%.

All returns are based in U.S. dollars.

Fund characteristics

	U.S. Opportunities Fund	Russell 3000 Index
Number of stocks	143	2,929
Median market cap	\$4.8B	\$32.5B
Price/earnings ratio	31.6x	17.8x
Price/book ratio	3.1x	2.3x
Return on equity	9.3%	19.0%
Earnings growth rate	11.2%	5.2%
Non-U.S. holdings	7.5%	0.0%
Cash investments	13.4%	—
Turnover rate	-65%	—
Equity yield (dividend)	0.5%	1.7%

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.

Additional Fund facts

Domicile	Currencies
Ireland	USD, EUR, GBP
Trading frequency	Settlement
Daily (16.00 GMT cutoff)	T+3
Total assets	Structure
USD (millions) 646	UCITS III
EUR (millions) 468	

Sector diversification (% of common stock)

	U.S. Opportunities Fund	Russell 3000 Index
Consumer Discretionary	6.9%	11.4%
Consumer Staples	1.8	8.7
Energy	4.9	12.2
Financials	1.1	16.5
Health Care	34.0	11.1
Industrials	13.4	11.6
Information Technology	33.8	18.4
Materials	3.4	4.2
Telecommunication Service	0.2	2.6
Utilities	0.5	3.3
Total	100.0%	100.0%

Volatility

	R-Squared	Beta
Investor Shares	0.91	1.08
Institutional Shares	0.91	1.08

R-squared and beta are calculated from trailing 36-month fund returns relative to the Russell 3000 Index.

Ten largest stocks as % of total net assets

	U.S. Opportunities Fund
Seattle Genetics Inc.	3.1%
Dendreon Corp.	2.5
Amgen Inc.	2.3
Cepheid Inc.	2.1
Electronic Arts Inc.	2.1
Altera Corp.	2.0
Medtronic Inc.	1.9
Monsanto Co.	1.9
Research In Motion Ltd.	1.8
Immunogen Inc.	1.7
Total	21.4%

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