



Vanguard®

Vanguard® U.S. Opportunities Fund

28 February 2010

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 | 5.27% | 5.35% | 5.28% | 5.35% | 3.39% | 3.39% |
| 3 months | 9.07 | 9.33 | 9.10 | 9.33 | 2.50 | 2.50 |
| Year to date | 1.86 | 2.02 | 1.88 | 2.02 | -0.34 | -0.34 |
| 1 year | 79.59 | 81.31 | 79.77 | 81.31 | 55.96 | 55.96 |
| 3 years | 1.95 | 2.93 | 2.06 | 2.93 | -5.60 | -5.60 |
| 5 years | 7.20 | 8.22 | 7.31 | 8.23 | 0.80 | 0.80 |
| Since inception | 14.24 | 15.33 | 11.26 | 12.21 | 4.40 | 2.35 |

Vanguard U.S. Opportunities Fund—EUR

| | Investor Shares | | Russell 3000 Index EUR |
|-----------------|-----------------|-------------------|------------------------|
| | Net of expenses | Gross of expenses | Investor Shares |
| 1 month | 7.22% | 7.30% | 5.57% |
| 3 months | 20.00 | 20.28 | 12.86 |
| Year to date | 7.09 | 7.26 | 5.01 |
| 1 year | 67.13 | 68.73 | 45.80 |
| 3 years | 0.85 | 1.82 | -6.48 |
| Since inception | 0.50 | 1.46 | -5.60 |

Vanguard U.S. Opportunities Fund—GBP

| | Investor Shares | | Russell 3000 Index GBP |
|-----------------|-----------------|-------------------|------------------------|
| | Net of expenses | Gross of expenses | Investor Shares |
| 1 month | 10.81% | 10.89% | 8.66% |
| 3 months | 17.58 | 17.86 | 10.32 |
| Year to date | 8.05 | 8.22 | 5.63 |
| 1 year | 68.14 | 69.75 | 46.87 |
| 3 years | 10.91 | 11.97 | 2.69 |
| Since inception | 9.84 | 10.89 | 2.58 |

*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 | — |
| 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 |
| Vanguard Fund Code | VUSVU | VUSSU |
| Fund codes (EUR) | | |
| Bloomberg | VANGUOE | — |
| ISIN | IE00B03HCV24 | — |
| Sedol | B03HCV2 | — |
| Vanguard Fund Code | VUSVE | — |
| Fund codes (GBP) | | |
| Bloomberg | VANGUOG | — |
| ISIN | IE00B1GHC616 | — |
| Sedol | B1GHC61 | — |
| 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.

David H. Van Slooten, Executive Vice President
Portfolio manager.
Advised the fund since 2002.
Worked in investment management since 1996.
B.S., Brigham Young University.
M.M., Kellogg Graduate School of Business, Northwestern University.

Vanguard® U.S. Opportunities Fund

Quarterly fund commentary as at 31 December 2009

- Over the fourth quarter, the U.S. economy showed signs of improvement, with many economic indicators evidencing recovery. As the outlook improved, stock markets around the globe posted strong returns as investors continued to shift their focus toward riskier assets. While unemployment remained high, the U.S. Federal Reserve began to focus more closely on how to unwind stimulatory measures in anticipation of continuing recovery. Against this backdrop, the MSCI US Investable Market 2500 Index, a broad measure of the stock market, returned 5.92%.
- The fund returned 7.03%, outpacing the Russell 3000 Index, which posted a return of 5.57%. The majority of outperformance was attributable to a large underweight in the financial sector, and also to strong stock selection in consumer discretionary, consumer staples, and information technology sectors. Stock selection boosted relative performance in all but two sectors.
- Several holdings within the consumer discretionary sector aided performance as cyclical stocks continued to rally through the fourth quarter. Of particular note were overweight positions in Dress Barn (+29%) and DIRECTV (+21%), a stock not found in the benchmark. Within consumer staples, an overweight to American Italian Pasta (+28%) drove up relative performance.
- Within IT, sizable overweights to semiconductor companies Rambus (+40%), Cree (+53%) and NVIDIA (+24%) posted strong returns, as did a large position in Internet services company Akamai Technologies (+29%).
- Dendreon (-6%), Cepheid (-6%) and Amgen (-6%), all large biotechnology holdings, performed poorly and dragged on the fund's overall performance.
- For the 12 months ended 31 December, several of the fund's larger holdings performed exceptionally well. In particular, Brocade Communications Systems (+166%) and ASML (+17%), both in the IT sector, and Medarex (+187%) and Dendreon (+474%), both biotechnology holdings, helped drive the fund's performance (+50.32%) well ahead of that of the benchmark (+28.34%).

All returns are based in U.S. dollars.

Fund characteristics

| | U.S. Opportunities Fund | Russell 3000 Index |
|-------------------------|-------------------------------|-----------------------|
| Number of stocks | 132 | 2,958 |
| Median market cap | \$4.2B | \$29.6B |
| Price/earnings ratio | 252.9x | 21.0x |
| Price/book ratio | 3.3x | 2.1x |
| Return on equity | 7.0% | 19.5% |
| Earnings growth rate | 4.8% | 8.0% |
| Foreign holdings | 8.1% | 0.0% |
| Cash investments | 4.0% | — |
| Turnover rate | 59% | — |
| Equity yield (dividend) | 0.5% | 1.9% |

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 of 31 December 2009.

Additional Fund facts

| | |
|--------------------------|-------------------|
| Domicile | Currencies |
| Ireland | USD, EUR, GBP |
| Trading frequency | Settlement |
| Daily (16.00 GMT cutoff) | T+3 |
| Total assets | Structure |
| USD (millions) 224 | UCITS III |
| EUR (millions) 164 | |

Sector diversification (% of common stock)

| | U.S. Opportunities Fund | Russell 3000 Index |
|----------------------------|-------------------------------|-----------------------|
| Consumer Discretionary | 8.3% | 10.8% |
| Consumer Staples | 2.8 | 10.4 |
| Energy | 3.6 | 10.6 |
| Financials | 1.7 | 15.5 |
| Health Care | 36.6 | 12.8 |
| Industrials | 12.1 | 10.9 |
| Information Technology | 31.3 | 18.6 |
| Materials | 3.0 | 4.0 |
| Telecommunication Services | 0.6 | 2.7 |
| Utilities | 0.0 | 3.7 |
| Total | 100.0% | 100.0% |

Volatility

| | R-Squared | Beta |
|----------------------|-----------|------|
| Investor Shares | 0.91 | 1.10 |
| Institutional Shares | 0.91 | 1.10 |

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

Ten largest holdings

| | U.S. Opportunities Fund |
|----------------------------|-------------------------------|
| Electronic Arts Inc. | 3.7% |
| Eli Lilly & Co. | 3.2 |
| Cepheid Inc. | 3.1 |
| Conceptus Inc. | 3.0 |
| Dendreon Corp. | 3.0 |
| Amgen Inc. | 3.0 |
| Immunogen Inc. | 2.9 |
| American Italian Pasta Co. | 2.4 |
| Medtronic Inc. | 2.4 |
| AMR Corp. | 2.4 |
| Total | 29.1% |

For more information

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