

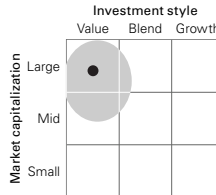
Vanguard® Wellesley® Income Fund

Investment Approach

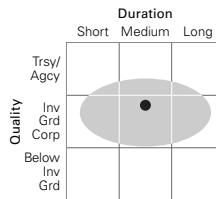
Balanced allocation: 60%–65% bonds, 35%–40% stocks.
 Seeks long-term growth of income, a high and sustainable level of current income, along with moderate long-term capital appreciation.
 Intermediate duration, investment-grade fixed income securities.
 Equities with strong income orientation.
 Fundamental research approach.

Vanguard Style View: Conservative Allocation

Portfolio emphasizing large- and mid-capitalization value stocks.



Diversified portfolio of intermediate-term, investment-grade bonds.



● Central tendency
 ● Expected range of fund holdings

Quarterly Commentary

Major stock markets continued to advance in the first quarter of 2024, with a number of indexes reaching record highs. In the U.S., inflation readings came in higher than expected, but the labor market stayed on a solid footing, consumer spending remained strong, and the economy showed continued vigor. Given this backdrop, the Federal Reserve left interest rates unchanged.

Global stocks returned just shy of 8% for the quarter, as measured by the FTSE Global All Cap Index. U.S. equities led the way, while those in emerging markets lagged but still finished in positive territory.

For the quarter, Vanguard Wellesley Income Fund underperformed its benchmark, the Wellesley Income Composite Index (+2.76%), and peer-group average (+2.55%). Unfavorable selection in consumer staples (+7.6%) and health care (+7.0%) hurt returns. Overweight allocations to real estate (-28.9%) and materials (+3.0%) also weighed on performance. Out-of-benchmark holdings Rio Tinto (-11%) and Pernod Ricard (-8%) were among the top detractors. A lack of exposure to Intel (-12%) was the top contributor.

On the other side of the ledger, favorable security selection in real estate (-28.9%) and consumer discretionary (+6.0%) boosted relative returns; holdings in two out-of-benchmark holdings, Host Hotels & Resorts (+7%) and Tractor Supply (+22%), specifically contributed. Underweight allocations to consumer discretionary (+6.0%) and communication services (+5.4%) drove outperformance as well.

For the 12 months ended March 31, the fund trailed its benchmark (+8.40%) and peer-group average (+8.52%). Poor selection in consumer staples (+5.1%) and information technology (+40.3%) detracted from performance. An overweight allocation to real estate (-44.2%) and an underweight allocation to financials (+38.4%) weighed on results as well. Pfizer (-28%) and Crown Castle International (-16%), an out-of-benchmark holding, were among the top detractors. American International Group (+59%) was the top contributor.

Note: Company returns may differ if a security was held in the portfolio for less than the full period.

People and Process

Vanguard Wellesley Income Fund seeks long-term growth of income, a high and sustainable level of current income, and moderate long-term capital appreciation by investing in high-quality bonds and stocks. The fund seeks to provide an attractive and stable income stream that increases over time, with moderate capital appreciation and moderate risk. Asset allocation changes are made gradually in response to changes in relative valuations.

Fixed Income Component: May invest in short-, intermediate, and long-term investment-grade corporate bonds, while seeking to maintain an aggregate intermediate duration. Also can invest in U.S. Treasury, government, agency, and mortgage-backed securities. The fund advisor adds value through active management, such as adjusting sector weightings in response to market opportunities.

Equity Component: Focuses on large-company value stocks with above-average dividends and potential for income growth. Using fundamental research, the advisor typically invests in fewer than 100 stocks, generally with low price/earnings and price/book ratios, and stable or improving fundamentals.

Wellington Management Company LLP

Founded in 1928, Wellington Management Company LLP, Boston, Massachusetts, is among the nation's oldest and most respected institutional investment managers. The firm has advised Vanguard Wellesley Income Fund since 1970.

Investment Manager Biographies

Loren L. Moran, CFA, Senior Managing Director. Portfolio manager. Advised the fund since 2017. Worked in investment management since 2006. B.S., Georgetown University.

Matthew C. Hand, CFA, Senior Managing Director. Portfolio manager. Advised the fund since 2021. Worked in investment management since 2004. B.A., University of Pennsylvania.

Total Returns

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Wellesley Income Fund							
Investor Shares (7/1/1970)	0.23%	1.90%	1.90%	7.62%	2.11%	4.93%	5.33%
Admiral Shares (5/14/2001)	0.16	1.92	1.92	7.70	2.19	5.01	5.40
Wellesley Income Composite Index	—	2.76	2.76	8.40	2.03	4.55	5.11
Mixed-Asset Target Allocation Conservative Funds Average	—	2.55	2.55	8.52	0.79	3.42	3.33

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. 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. All returns are net of expenses.

Note: Wellesley Income Composite Index: Weighted 65% bonds and 35% stocks. For bonds: Lehman U.S. Long Credit AA or Better Bond Index through March 31, 2000, and Bloomberg U.S. Credit A or Better Bond Index thereafter. For stocks: 26% S&P 500/Barra Value Index and 9% S&P Utilities Index through June 30, 1996, when the utilities component was split into the S&P Utilities Index (4.5%) and the S&P Telephone Index (4.5%); as of January 1, 2002, the S&P Telephone Index was replaced by the S&P Integrated Telecommunication Services Index; as of July 1, 2006, the S&P 500/Barra Value Index was replaced by the S&P 500/Citigroup Value Index; as of August 1, 2007, the three stock indexes were replaced by the FTSE High Dividend Yield Index. Average fund returns are derived from data provided by Lipper, a Thomson Reuters Company. Admiral class shareholders are required to maintain specific minimum balances and meet other special criteria.

Quarterly Returns: Investor Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Wellesley Income Fund	Year-End	
						FTSE High Dividend Yield Index	Assets (Millions)
2024	1.90%	—	—	—	—	—	\$9,214
2023	1.31	0.75%	-2.85%	7.90%	7.00%	7.10%	9,485
2022	-3.59	-6.68	-5.24	6.68	-9.05	-9.60	10,400
2021	1.05	3.98	0.26	3.01	8.50	7.55	12,785
2020	-7.42	8.44	2.31	5.58	8.45	7.02	12,837
2019	6.76	3.62	2.75	2.40	16.39	16.08	13,224
2018	-2.46	0.32	2.38	-2.75	-2.57	-2.79	11,567
2017	2.20	2.28	2.26	3.09	10.20	9.06	14,074
2016	3.77	3.72	1.06	-0.63	8.08	8.44	13,936
2015	1.27	-1.68	-0.84	2.58	1.28	0.79	11,941
2014	2.63	3.21	-0.30	2.33	8.07	9.33	12,324

Quarterly Returns: Admiral Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Wellesley Income Fund	Year-End	
						FTSE High Dividend Yield Index	Assets (Millions)
2024	1.92%	—	—	—	—	—	\$42,326
2023	1.35	0.78%	-2.85%	7.93%	7.10%	7.10%	43,076
2022	-3.59	-6.66	-5.23	6.69	-9.01	-9.60	46,708
2021	1.04	4.00	0.27	3.04	8.57	7.55	55,582
2020	-7.41	8.47	2.32	5.62	8.54	7.02	50,758
2019	6.76	3.64	2.78	2.41	16.47	16.08	46,561
2018	-2.44	0.33	2.42	-2.74	-2.49	-2.79	38,661
2017	2.21	2.28	2.28	3.11	10.26	9.06	41,898
2016	3.80	3.71	1.10	-0.62	8.16	8.44	35,749
2015	1.26	-1.64	-0.81	2.58	1.35	0.79	28,825
2014	2.66	3.23	-0.28	2.34	8.15	9.33	28,051

Volatility Measures

	R-Squared	Beta
Wellesley Income Composite Index	0.99	0.99
DJ US Total Stock Mkt Float Adj Idx	0.78	0.48

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.

Fund Facts

	Investor Shares	Admiral Shares
Fund Number	0027	0527
Ticker	VWINX	VWIAX
Newspaper Listing	WellsI	WellsAdml
CUSIP Number	921938106	921938205
Assets (millions) (Total \$51,540)	\$9,214	\$42,326
Inception	7/1/1970	5/14/2001
Expense Ratio (as of 1/2024)	0.23%	0.16%

Fund Asset Allocation

	% of Total Net Assets
Stocks	37.1%
Bonds	61.8
Short-term reserves	1.1
Total	100.0%

Equity Characteristics

	Wellesley Income Fund	FTSE High Dividend Yield Index
Number of stocks	67	556
Median market cap	\$77.3 Billion	\$126.8 Billion
Average market cap	\$149.2 Billion	—
Price/earnings ratio	18.5x	18.6x
Price/book ratio	2.5x	2.7x
Return on equity	15.6%	16.8%
Earnings growth rate	6.4%	8.3%
Equity yield (dividend)	3.1%	2.8%
Foreign holdings	4.5%	0.0%
Short-term reserves	0.0%	—
Turnover rate (fiscal year end)	53.4%	—

Ten Largest Stocks

	% of Total Net Assets
JPMorgan Chase & Co.	5.0%
Merck & Co. Inc.	4.1
ConocoPhillips	3.1
EOG Resources Inc.	3.0
Johnson & Johnson	3.0
Pfizer Inc.	2.9
Cisco Systems Inc.	2.5
Broadcom Inc.	2.2
Philip Morris International Inc.	2.1
MetLife Inc.	2.1
Top Ten as % of Common Stock	30.0%
Top Ten as % of Total Net Assets	11.0%

The holdings listed exclude any temporary cash investments and equity index products.

Distribution by Credit Quality

	% of Portfolio
U.S. Government	18.4%
Aaa	4.0
Aa	12.1
A	48.4
Baa	17.1
Ba	0.0
Caa	0.0
Not Rated	0.0
Total	100.0%

Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). "NR" is used to classify securities for which a rating is not available. NR securities may include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts. U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." Credit-quality ratings for each issue are obtained from Bloomberg using ratings derived from Moody's Investors Service (Moody's), Fitch Ratings (Fitch), and Standard & Poor's (S&P). When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

Sector Diversification (% of Stocks)

	Wellesley Income Fund	FTSE High Dividend Yield Index	Overweight/ Underweight
Communication Services	0.6%	3.3%	-2.7
Consumer Discretionary	3.0	7.6	-4.6
Consumer Staples	12.6	12.6	0.0
Energy	11.1	10.7	0.4
Financials	19.0	20.8	-1.8
Health Care	16.4	12.9	3.5
Industrials	9.4	12.3	-2.9
Information Technology	9.9	11.1	-1.2
Materials	5.5	2.8	2.7
Other	0.0	0.1	-0.1
Real Estate	4.4	0.0	4.4
Utilities	8.1	5.9	2.2
Total	100.0%	100.0%	

Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.

Fixed Income Characteristics

	Wellesley Income Fund	Bloomberg Credit A or Better Index
Number of bonds	1,266	4,597
Average effective maturity	10.5 years	10.2 years
Average duration	6.8 years	6.8 years

Distribution by Issuer

	% of Portfolio
Asset-Backed	2.8%
Commercial Mortgage-Backed	0.4
Finance	32.7
Foreign	2.5
Government Mortgage-Backed	4.1
Industrial	26.2
Treasury/Agency	14.4
Utilities	9.6
Other	7.3
Total	100.0%

Distribution by Effective Maturity

	% of Portfolio
Under 1 Year	3.2%
1 to 2 Years	5.2%
2 to 3 Years	12.0%
3 to 4 Years	8.4%
4 to 5 Years	11.8%
5 to 6 Years	5.3%
6 to 7 Years	5.0%
7 to 8 Years	3.9%
8 to 9 Years	4.9%
9 to 10 Years	7.8%
10 to 11 Years	2.1%
11 to 12 Years	0.6%
12 to 15 Years	3.3%
15 to 20 Years	7.5%
20 to 30 Years	16.5%
Over 30 Years	2.5%
Total	100.0%

Important information

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Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.

All investing is subject to risk, including the possible loss of the money you invest.

Please remember that all investments involve some risk. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Diversification does not ensure a profit or protect against a loss. Funds that concentrate on a relatively narrow market sector face the risk of higher share-price volatility.

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized through the fund's trading or through your own redemption of shares. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal Alternative Minimum Tax.

High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings.

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