2011: The year in review
2011: The year too much happened?

Vanguard was named for Lord Nelson’s flagship at the Battle of the Nile. The nautical images in this report provide a fitting metaphor for the Vanguard crew’s mission of helping clients reach their financial goals.

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Chairman’s message

Many years from now, people may look back at market returns for 2011 and think that nothing happened. After all, the broad U.S. stock market returned less than 1%. Meanwhile, short-term interest rates remained virtually unchanged, the broad U.S. bond market fared slightly better than its long-term historical average, and international stock returns were disappointing. (See Figure 1.)

But in some respects, 2011 was a year in which too much happened. It was jarring, jolting, and difficult to process. Revolutions swept across the Middle East. An earthquake, tsunami, and nuclear crisis devastated Japan. European debt problems pushed large economies to the brink of collapse. And in the United States, politicians debated our own fiscal troubles while debt-ceiling clocks counted down toward zero and market volatility spiked.

Figure 1. Market barometer

<table>
<thead>
<tr>
<th></th>
<th>One year</th>
<th>Three years</th>
<th>Five years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stocks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 1000 Index (Large-caps)</td>
<td>1.50%</td>
<td>14.81%</td>
<td>−0.02%</td>
</tr>
<tr>
<td>Russell 2000 Index (Small-caps)</td>
<td>−4.18</td>
<td>15.63</td>
<td>0.15</td>
</tr>
<tr>
<td>Dow Jones U.S. Total Stock Market Index</td>
<td>0.52</td>
<td>15.24</td>
<td>0.28</td>
</tr>
<tr>
<td>MSCI All Country World Index ex USA (International)</td>
<td>−13.71</td>
<td>10.70</td>
<td>−2.92</td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Capital U.S. Aggregate Bond Index (Broad taxable market)</td>
<td>7.84%</td>
<td>6.77%</td>
<td>6.50%</td>
</tr>
<tr>
<td>Barclays Capital Municipal Bond Index (Broad tax-exempt market)</td>
<td>10.70</td>
<td>8.57</td>
<td>5.22</td>
</tr>
<tr>
<td>Citigroup 3-Month Treasury Bill Index</td>
<td>0.08</td>
<td>0.11</td>
<td>1.36</td>
</tr>
<tr>
<td><strong>CPI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>2.96%</td>
<td>2.39%</td>
<td>2.26%</td>
</tr>
</tbody>
</table>

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.
How did Vanguard fare?

As I’ve met with Vanguard clients and crew over the past few months, people have asked whether Vanguard was successful in 2011. Well, the ultimate measure of success for our company is the success of our clients: Did they make money? The answer to that is: not much. As the leader of this company, I am keenly aware of that, and it has to be the first topic addressed in any discussion of the past year.

That said, I am proud of what Vanguard accomplished in 2011. We controlled the factors that we could control. We remained diligent stewards of our clients’ assets, and we continued to position our firm to serve our clients for the long term. Here are some highlights:

- **We lowered the cost of investing.** We found ways to reduce investment costs and to make our funds more accessible to more people. In May, we lowered the minimum initial investment to $1,000 for our Target Retirement Funds. In September, we introduced lower-cost share classes—Admiral™ Shares, Institutional Shares, and Institutional Plus Shares—to nine more index funds. (In 2011 alone, investors saved nearly $400 million by investing in Admiral Shares over Investor Shares.) In October, we introduced a new 401(k) plan service for small companies with costs that are among the lowest in the industry.

  Overall, our mutual funds’ average expense ratio for 2011 decreased 1 basis point to 20 basis points. If Vanguard had charged the industry average expense ratio of 1.12% on our shareholders’ average assets of $1.65 trillion during the year, their returns would have been $15.15 billion less. (See Figures 2 and 3.)
• **Managers guided funds prudently.** Even though our funds’ absolute investment returns were underwhelming across most categories due to the underwhelming performance of the markets, our investment managers did an admirable job steering Vanguard funds through an incredibly volatile market. According to Lipper Inc., 81% of Vanguard funds outperformed the average returns of their peer funds in 2011. Over longer time frames, Vanguard funds have performed even better. (See Figure 4.)

• **Investors sought out Vanguard.** Throughout the year, new and existing clients continued to invest with Vanguard. As a result, Vanguard had a total net cash flow into our U.S.-based funds of $80.1 billion (Source: Vanguard). We ended 2011 with $1.66 trillion in U.S. fund assets under management.

• **We added new funds.** We take a measured approach to offering new funds. In 2011, we introduced two new funds that complement our existing offerings. In January 2011, we launched the Total International Stock ETF—a separate share class of Total International Stock Index Fund, which was introduced in 1996. In June, we introduced the actively managed Emerging Markets Select Stock Fund.

• **We expanded our global reach.** We began operations in Canada and launched six new exchange-traded funds (ETFs) on the Toronto Stock Exchange, and we continue to build momentum in our efforts to serve more investors in the United Kingdom, Europe, Australia, and Asia.

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**Figure 4.** Percentage of Vanguard funds whose returns beat their peer-group averages

*Note: All performance periods ended December 31, 2011.*

<table>
<thead>
<tr>
<th>Period</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1 year</td>
<td>81%</td>
</tr>
<tr>
<td>3 years</td>
<td>70%</td>
</tr>
<tr>
<td>5 years</td>
<td>83%</td>
</tr>
<tr>
<td>10 years</td>
<td>89%</td>
</tr>
</tbody>
</table>

Source: Vanguard. Comparative performance data provided by Lipper Inc.

For the one-year period, 10 of 10 Vanguard money market funds, 60 of 86 bond funds, 29 of 30 balanced funds, and 175 of 211 stock funds outperformed their Lipper averages. For the three-year period, 10 of 10 Vanguard money market funds, 33 of 65 bond funds, 19 of 29 balanced funds, and 129 of 167 stock funds outperformed their Lipper averages. For the five-year period, 10 of 10 Vanguard money market funds, 51 of 57 bond funds, 24 of 26 balanced funds, and 115 of 147 stock funds outperformed their Lipper averages. For the ten-year period, 10 of 10 Vanguard money market funds, 47 of 52 bond funds, 12 of 14 balanced funds, and 78 of 90 stock funds outperformed their Lipper averages. Results will vary for other time periods. Only funds with a minimum, one-, three-, five-, or ten-year history, respectively, were included in the comparison.

*Note that the competitive performance data shown represent past performance, which is not a guarantee of future results, and that all investments are subject to risks. For the most recent performance, visit our website at vanguard.com/performance.*
Navigating through uncertainty

The past year highlighted a lesson that we’ve adhered to for a long time at Vanguard. Even when (and especially when) the markets produce scant returns, Vanguard delivers great value to our clients. We’ve found that in times of uncertainty, investors turn to us for perspective and guidance.

The questions, of course, have changed over time with different market conditions. Even the manner in which we address those concerns has evolved. (Today, some clients seek our viewpoints in person or on the phone, while some prefer detailed research papers, and others prefer 15-word tweets.)

But the answers to our clients’ questions have remained unchanged throughout our history. At the kernel of every answer is this: Control the things that you can control. And there are only a few big “levers” that can significantly influence investment success: how much you invest (we say invest as much as you can), how long you invest (we say invest for the long run), and how you invest (we say maintain a low-cost, balanced, and diversified portfolio).

If you control the factors that you can control, you’re often in better shape when the unexpected hits. We believe it’s a sound approach for running an investment portfolio, and a sound approach for running an investment firm.

Thank you for investing with us.

F. William McNabb III
Chairman and CEO
Overseeing and refining our fund offerings

Stability and long-term focus are key to Vanguard’s approach. Both are evidenced in the following anniversaries we celebrated in 2011:

- Vanguard 500 Index Fund—35 years.
- Vanguard International Growth Fund—30 years.
- Vanguard Total Bond Market Index Fund—25 years.
- Vanguard Convertible Securities Fund—25 years.
The investment world continues to evolve and so too must our funds. In 2011, as part of ongoing efforts to monitor and enhance our funds in the best interests of clients, we announced improvements to two key retirement fund series, introduced new low-cost share classes, lowered fund expense ratios, added a new international stock fund, and welcomed two new fund advisors.

In September, Vanguard outlined plans to adopt an all-index approach for the four funds in the Vanguard LifeStrategy® series, which previously invested in a mix of passively and actively managed funds. In a related move, Vanguard Asset Allocation Fund—one of the holdings in the LifeStrategy Funds—transitioned in early 2012 to a static 60% stock/40% bond allocation and then merged into Vanguard Balanced Index Fund.

To help retirement-minded investors take the first step toward securing a sound financial future, Vanguard reduced the minimum investment requirement from $3,000 to $1,000 for our Target Retirement Fund series. We also announced plans in 2012 to launch Vanguard Target Retirement 2060 Fund for those just entering the workforce.

As part of our commitment to clients, Vanguard introduced lower-cost share classes for nine more index funds, reducing the investment costs in a range of broadly diversified U.S. stock, bond, and international portfolios. In addition, economies of scale enabled us to reduce expense ratios for three domestic stock funds and seven international index funds. Also on the international front, we:

- Launched Vanguard Total International Stock ETF.
- Introduced Vanguard Emerging Markets Select Stock Fund for retail clients.
- Changed the target benchmark for Vanguard Total World Stock Index Fund to the FTSE® Global All Cap Index, thereby offering even broader exposure to the world’s equity markets in a single, low-cost vehicle.

Lastly, we added two new fund advisors to Vanguard in 2011. Los Angeles Capital Management and D.E. Shaw Investment Management, along with Vanguard Equity Investment Group (formerly Quantitative Equity Group), assumed investment advisory responsibilities for Vanguard Growth and Income Fund.
Serving our clients

Amidst turbulent financial markets, Vanguard stayed closely aligned with our clients on their key priorities.
As the economy trudged along in 2011, stock market volatility spiked, amplified by Europe’s sovereign debt drama, political wrangling over the U.S. debt ceiling, and Standard & Poor’s decision to downgrade the U.S. credit rating. After a promising start for fixed income, risk aversion set the tone in the latter half of the year. Buoyed by this flight to quality, U.S. Treasury prices remained strong in 2011.

Against a backdrop of uncertainty in the markets, Vanguard kept in close communication with our clients through e-mail and web updates, on-site meetings, and client events across the country. During these tumultuous months, one message to clients was consistent: the importance of low costs. At Vanguard, we deeply understand the importance of costs to our clients and work hard for every basis point we can save them. By applying that discipline to everything we do, we strive to continue lowering the cost of investing for our clients.

That rigorous approach and an expanding array of institutionally priced investments served clients and their consultants well in 2011 as they have throughout our history. As evidence of the trust you’ve placed in Vanguard, our institutional net cash flow for mutual fund assets amounted to more than $6.2 billion in 2011.

In the following sections, we highlight some key ways Vanguard is partnering with clients across all our businesses (see Figure 6 on page 14) to make a difference and deliver the value that you’ve come to expect from us.
Defined contribution plans help foster retirement readiness

Defined contribution (DC) retirement plans have become the basic underpinning of the U.S. retirement system. Although these plans have come under increased scrutiny in recent years, Vanguard strongly believes DC plans remain an essential component of retirement programs for employers both large and small. That’s one reason why Vanguard launched our Retirement Plan Services for small business in 2011.

No matter the size of a DC plan, the inherent challenges remain largely the same: improving saving rates and ensuring investment portfolios are appropriately diversified. Vanguard works on a variety of fronts to help sponsors meet those objectives. Special focus areas in 2011 included:

- Target-date funds (TDFs).
- Index funds.
- Investment tiers.
- Fee disclosure.
- Retirement income.
- Research and benchmarking information.

Target-date funds earn their place in 401(k) plans

Plan sponsors continue to choose TDFs for their DC plans, spurred on by plan design elements such as autoenrollment and the designation of these fund types as a qualified default investment alternative (QDIA) under the Pension Protection Act of 2006 (PPA).
With their diversified, balanced portfolios, TDFs are reshaping participant retirement plan portfolios. The markets in 2011 were full of noise that could distract participants and steer them off course. TDFs afford investors the discipline and broad diversification that can help them achieve their retirement objectives.

TDFs continue to grow in the number of plans offering the funds and the level of plan assets invested. (See Figure 5.) In fact, DC plan assets invested in Vanguard Target Retirement Funds totaled $78 billion at the close of 2011—representing 17% of Vanguard’s total DC assets.

**Index funds grow in popularity**

Several marketplace developments are also behind the increasing popularity of index funds in plan lineups, including volatile markets and heightened scrutiny of plan costs by Congress, the Department of Labor (DOL), and the courts. Low-cost index funds can help mitigate some of that risk.

**Tiering helps participants select investments**

The use of TDFs and index funds is also being driven by plan sponsors’ desire to simplify plan lineups. One way that increasingly complex investment menus can be streamlined is by using tiering approaches that help participants navigate the investment selection process.

In a tiered plan lineup, sponsors structure the plan’s investment options into logical groupings, based on each option’s level of complexity. Many Vanguard clients have adopted a simple three-tiered structure:

1. TDFs.
2. A “core” of index options.
3. Active (and specialty) fund options.
DC plans focus on fees

New fee disclosure regulations from the DOL scheduled to take effect in 2012 increased scrutiny on plan fees last year. A strong proponent of fee transparency, Vanguard has been a leader in disclosing fees to our recordkeeping clients. Since the late 1990s, Vanguard has provided clients with an itemized and comprehensive All-in Fee Report. The new DOL regulations gave Vanguard an opportunity to further enhance our fee disclosure reporting. We improved our systems and communications—including our All-in Fee Report—to be fully compliant with the sponsor disclosure regulations. And we took steps to assist our clients in meeting their participant disclosure notice obligations.

In addition to improving our fee disclosures, we’ve made changes that provide our plan sponsors and their committees with increased flexibility in using various share classes of Vanguard funds. This allows them to determine how their plans pay for the recordkeeping services we provide, whether they prefer an asset-based fee structure, a direct participant- or sponsor-paid fee structure, or a combination of the two.

Vanguard again tops key areas in sponsor loyalty survey

Retirement plan sponsors ranked Vanguard’s retirement plan services first for overall satisfaction, value-for-cost, and satisfaction with investment performance in a 2011 survey by the Boston Research Group (BRG). This was the third year in a row that Vanguard topped the overall satisfaction category, and the 12th consecutive year that Vanguard was a top-five provider in this category.

Vanguard’s repeat of strong results in the BRG 2011 Plan Sponsor Satisfaction and Loyalty Study comes on the heels of another survey of DC retirement plans, announced by Cogent Research last summer, which gave Vanguard highest marks in a number of categories, including brand impression, loyalty, and plan sponsor support.

Vanguard views survey results such as these as evidence that low costs and best-in-class service can coexist, and do at Vanguard.

BRG is a strategic market research and consulting firm that serves a number of industries, including the financial services industry. BRG conducts an independent annual survey of how plan sponsors perceive full-service retirement plan providers, which provide investment management and administrative services, such as plan recordkeeping, accounting, legal, compliance, trustee services, participant education, websites, customer service phone representatives, and loan administration. The findings of this plan sponsor study resulted from BRG’s nationwide survey from April to July 2011 of 1,454 sponsors of 401(k) plans with $5 million or more in assets. BRG sets quotas for plan sponsor responses for each recordkeeper to achieve statistically reliable samples.

Cogent Research surveyed 1,994 sponsors of various-sized 401(k) plans in March and April 2011. Cogent’s objective was to “explore the current state of plan design, measure plan sponsors’ level of dependence on intermediaries, and gauge their awareness, perceptions, satisfaction, and loyalty to retirement plan providers as well as the investment managers serving the DC marketplace.” Cogent set quotas to ensure the research population was representative of the target audience in question.

The BRG and Cogent surveys noted here were syndicated studies conducted independently by BRG and Cogent. Vanguard neither commissioned nor paid to be included in them. BRG and Cogent have conducted unrelated, custom market research for Vanguard in the past.
Retirement income efforts stay outside the plan

Within the DC industry and in regulatory circles, there’s an active discussion under way on the retirement or pay-down phase. Yet demand for retirement income products within DC plans has remained low, both for fiduciary reasons and because many participants leave their employer plan upon retirement. Vanguard’s efforts have therefore focused on educating plan participants about the range of income and investment options they are likely to face in the IRA marketplace.

Plan participants choosing a Vanguard IRA® for their retirement savings have a wide array of options to consider. For those looking to roll over and invest their assets, Vanguard options include a full range of mutual funds, ETFs, and other securities. For investors looking to generate income, the main options include:

- Setting up a regular withdrawal program from their IRA.
- Investing in funds that generate an income stream from a portfolio.
- Selecting an income annuity, where a participant gives up permanent control over part of his or her savings in exchange for a guaranteed lifetime income.

Research supports and enhances the value of our DC plans

For more than a decade, Vanguard has conducted proprietary research exploring trends in the retirement market as well as developments in DC and defined benefit (DB) retirement plans.

A core part of these efforts is How America Saves, which released its tenth edition in 2011. The data for this annual publication are drawn from 2,100 DC plans recordkept by Vanguard, representing more than 3 million plan participants. How America Saves provides essential benchmarking information about participant accounts and retirement plan design, as well as offers insight into participant investment behavior. The publication is paired with 12 additional industry-specific reports on DC plans managed by Vanguard. The industry reports are available on Vanguard’s institutional website, along with a tool designed to help plan sponsors compare their own plan with others in their industry as well as with Vanguard’s universe of retirement plans. Both the full annual report and the new benchmarking data will help plan sponsors make more informed decisions based on those comparisons.
Figure 6. Vanguard’s diversified asset base

- 46% Individual investors
- 31% Financial advisors
- 22% Institutional investors and plan sponsors
- 1% International (non-U.S.) investors

Note: Data shown reflect domestic mutual fund assets for the period ended December 31, 2011.
Source: Vanguard.

DB plans seek help addressing their funded status

Last year, low interest rates and volatile equity markets resulted in a challenging environment for DB plan sponsors. Many sponsors with frozen plans are intent on terminating them, but need higher funding levels to do so, while others are waiting for markets to stabilize after three volatile years. Open, closed, and frozen plans all have special requirements to consider when implementing investment strategies. Vanguard helped plan sponsors and consultants with many of those considerations, including:

- Gradual derisking glide paths based on funded status or other measures.
- Low interest rates.
- Using mutual funds in derisking strategies.
- The potential to terminate a plan in the next several years.
- New rules that make it less expensive to terminate a plan beginning in 2012.
In 2011, we rolled out Vanguard Pension Reinvestment Services for plan sponsors that may be terminating their pension plan in the future. Pension Reinvestment Services focuses on assisting plan sponsors and their participants with issues around terminating pension plans or providing new lump-sum benefits in their plans. Of course, Vanguard also provides assistance to plan sponsors by providing insights on appropriate investments when a plan is winding down.

During 2011, Vanguard created videos and published in-depth research and commentary on derisking strategies, as well as investment strategies for cash balance plans and terminating pension plans. We also continued to add to our Defined Benefit Insights series, briefing papers that are designed to demystify the often complicated world of DB plans.

Advisory Services tackles challenges of portfolio management

Market, economic, and regulatory changes have prompted organizations to rethink their investment strategies. For those looking for assistance with those responsibilities, Vanguard Institutional Advisory Services®—acting as an extension of the investment committee—provided assistance based on each organization’s unique requirements and resources. That client-focused approach was one reason that Advisory Services’ assets under management increased by 5.1% in 2011.

Nonprofits reevaluate investment strategies amid volatility

Facing challenging markets, nonprofit organizations focused on the need to consider costs and diversification—especially for the core of their portfolios. Many turned to Vanguard for our expanding array of low-cost investments.

With our strong commitment to the more than 1,400 nonprofit organizations we serve and their consultants, assets under management in 2011 increased by 7.7%, and Vanguard continued to be a leading investment manager to endowments and foundations (Pension & Investments, May 2011).
Global investors are discovering the value of Vanguard

Vanguard made new strides in promoting our value proposition—low-cost, high-value investments; a unique client focus; and stability and strength—in global markets.

We expanded into Canada, establishing our headquarters in Toronto and launching six new ETFs late in the year.* We see a tremendous level of interest in ETFs among financial advisors to build sound, balanced portfolios for their clients.

In Europe, we consolidated operations to our London office and built out our London-based Investment Management Team. We now have more than 100 crew members working there. Our funds are available across most of the United Kingdom’s top distribution platforms. We also launched eight new funds, including five LifeStrategy Funds, which are built using a broadly diversified asset allocation with automatic rebalancing. These products have been well received in other markets, especially among investors who are saving for retirement.

Vanguard Investments Australia celebrated its 15th anniversary and was recognized in Investment Trends’ June 2011 Investor Sentiment and Communications Report with five awards, including overall client satisfaction and disclosure of fees and charges. Australia also broadened its product lineup with the launch of three Australia equity ETFs.

In Asia, we continue to enjoy steady growth in our Japanese and Singapore businesses. The year 2012 will see Vanguard deepening its commitment in Asia from our newly established office in Hong Kong.

* Inception date: November 30, 2011.
Financial advisors aim for deeper client relationships

With 2011 a challenging year for even the most iron-willed investors, Vanguard implemented a variety of strategies to better serve financial advisors and their clients. Importantly, we relocated a number of our sales crew to live and work in their territories from coast to coast. We also increased hiring and training efforts to support deeper and more frequent conversations with advisors. With sales executives living in the communities they are serving, they’re better equipped to assess and anticipate the needs of the advisors and clients in their respective regions and respond accordingly.

When advisors and their clients need support, we want to be ready with research, business strategies, and other tools. We addressed those needs in 2011 by:

• **Supporting advisors who are moving from transaction-driven to fee-based practices.** The Vanguard Advisor’s Alpha™ campaign helps build sustainable client relationships, recognizing that the most reliable and persistent source of alpha can be the advisors themselves.

• **Continuing to reduce expense ratios as our ETFs achieve economies of scale.** In 2011, we lowered expense ratios on 29 Vanguard ETFs®.

• **Helping advisors understand complex topics and explain them to clients.** We’ve redesigned our research briefs for two audiences. Advisor briefs distill Vanguard’s lengthier research papers into key, actionable takeaways. One-page client summaries simplify topics even further.

• **Making information widely available through multiple channels.** We have been an industry innovator when it comes to using social media. Whether developing apps for mobile devices, providing a Twitter feed, uploading YouTube videos, or updating our ETF webpages in response to advisor feedback—our technology teams were busy in 2011!

By multiple measures, we continued to earn advisors’ loyalty in 2011. For example, industry research from Cogent continued to rank Vanguard among the top firms for advisor loyalty.¹ In addition, Morningstar recognized our efforts to make the passive management strategy more accessible and less costly to investors.²

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¹ Cogent Research, 2011 Advisor Brandscape. Advisor Brandscape™ data is collected via a web-based survey amongst a nationally representative sample of more than 1,600 registered financial advisors. Cogent Research provides custom research, syndicated research products, and evidence-based consulting to organizations in the financial services, life sciences, and consumer goods industries. This advisor survey was conducted independently by Cogent. Vanguard neither commissioned nor paid to be included. Cogent has conducted unrelated, custom market research for Vanguard in the past.

² William Samuel Rocco. “Indexing Fans Have a Lot to Thank Vanguard for This Year.” Morningstar Fund Spy, November 21, 2011.
Individual investors stay the course

Confronted with continued market turbulence in 2011, individual investors saw their dedication to proven principles tested—particularly balance, diversification, and a long-term investing philosophy. However, despite the upheavals, they maintained discipline and a long-term perspective by contributing to both their equity and bond portfolios.

Throughout the year, we continued to build on our track record of lowering the cost and complexity of investing. We continued to help individual investors prepare for retirement by conducting nearly 100,000 advice engagements throughout the year and developing new offers for guaranteed retirement income. We expanded our offering of Admiral Shares by adding them to six funds, and continued to lower our 529 fees. To mark the one-year anniversary of lowering the required balance threshold for Admiral Shares, we mailed letters to more than 1 million clients with personalized cost-savings messages resulting from the change. We made our lineup of Target Retirement Funds more accessible to investors who are just starting out by lowering the minimum required investment from $3,000 to $1,000. With the launch of our iPad and Android apps, doing business with us has never been easier for individual investors.

The Vanguarding® campaign we launched in 2010 continues to be a great complement to the word-of-mouth referrals that have always helped spread our message on the importance of client-ownership, at-cost management, and a long-term investment philosophy.

With each initiative, we remain dedicated to helping our clients reach their investment goals.
Vanguard directors and officers

Directors of Vanguard provide oversight to ensure that the funds are managed solely in the interests of their shareholders, who are the ultimate owners of the enterprise. Eight of the nine Vanguard board members are independent directors, each with distinguished backgrounds in business, academia, and public service. They work with the fund officers to oversee the policies and activities of the funds and to represent shareholder interests. The accompanying list provides a brief description of each director’s professional affiliations. The year in which the director joined our board is noted in parentheses.

F. William McNabb III (2008). Vanguard chairman of the board, president, and chief executive officer; director of Vanguard Marketing Corporation; and a former managing director of Vanguard.

Emerson U. Fullwood (2008). Retired executive chief staff and marketing officer for North America and corporate vice president of Xerox Corporation; executive-in-residence and 2010 Distinguished Minett Professor at the Rochester Institute of Technology; and director of SPX Corporation, the United Way of Rochester, Amerigroup Corporation, the University of Rochester Medical Center, Monroe Community College Foundation, and North Carolina A&T University.

Rajiv L. Gupta (2001). Retired chairman and chief executive officer and former president of Rohm and Haas Company; director of Tyco International, Ltd., and Hewlett-Packard Company; senior advisor at New Mountain Capital; trustee of The Conference Board; and member of the board of managers of Delphi Automotive LLP.

Amy Gutmann (2006). President of the University of Pennsylvania; Christopher H. Browne Distinguished Professor of Political Science in Penn’s School of Arts and Sciences, with secondary faculty appointments in the Annenberg School for Communication and the Graduate School of Education; chair of the Presidential Commission for the Study of Bioethical Issues; director of the Carnegie Corporation of New York, the Schuylkill River Development Corporation, and the Greater Philadelphia Chamber of Commerce; and trustee of the National Constitution Center.

JoAnn Heffernan Heisen (1998). Retired corporate vice president and chief global diversity officer, and a former member of the executive committee of Johnson & Johnson; director of Skytop Lodge Corporation, the University Medical Center at Princeton, the Robert Wood Johnson Foundation, and the Center for Work Life Policy; and member of the advisory board of the Maxwell School of Citizenship and Public Affairs at Syracuse University.

F. Joseph Loughrey (2009). Retired president and chief operating officer and former vice chairman of the board of Cummins Inc.; director of Hillenbrand, Inc., SKF AB, the Lumina Foundation for Education, and Oxfam America; and chair of the Advisory Council for the College of Arts & Letters; and member of the advisory board to the Kellogg Institute for International Studies at the University of Notre Dame.

André F. Perold (2004). Former George Gund Professor of Finance and Banking at the Harvard Business School; chief investment officer and managing partner of HighVista Strategies LLC; director of Rand Merchant Bank; and overseer of the Museum of Fine Arts Boston.

Alfred M. Rankin, Jr. (1993). Chairman, president, and chief executive officer of NACCO Industries, Inc.; director of Goodrich Corporation and the National Association of Manufacturers; chairman of University Hospitals of Cleveland and the Federal Reserve Bank of Cleveland; and advisory chairman of the board of The Cleveland Museum of Art.

Peter F. Volanakis (2008). Retired president and chief operating officer, and a former director of Corning, Inc.; former director of Dow Corning; director of SPX Corporation, the Corning Foundation, and the Corning Museum of Glass; overseer of the Amos Tuck School of Business Administration at Dartmouth College; and advisor to the Norris Cotton Cancer Center.

Senior management team
Mortimer J. Buckley, Kathleen C. Gubanich, Paul Heller, Martha G. King, Chris D. Mclsaac, Michael S. Miller, James M. Norris, Glenn W. Reed, George U. Sauter, Heidi Stam.

John J. Brennan, chairman emeritus and senior advisor.
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For more information, visit institutional.vanguard.com or call 800-523-1036 for Vanguard funds and 800-992-8327 for non-Vanguard funds offered through Vanguard Brokerage Services to obtain fund prospectuses. Visit our website, call 866-499-8473 or contact your broker to obtain a prospectus for Vanguard ETFs. Investment objectives, risks, charges, expenses, and other important information are contained in these documents; read and consider them carefully before investing.

Vanguard is client-owned. As a client owner, you own the funds that own Vanguard. Vanguard provides its services to the Vanguard funds and ETFs at cost.

All investing is subject to risk. Foreign investing involves additional risks including currency fluctuations and political uncertainty. Stocks of companies in emerging markets are generally more risky than stocks of companies in developed countries. Diversification does not ensure a profit or protect against a loss in a declining market.

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