



# Vanguard® Cash Reserves Federal Money Market Fund

## Product Summary

Invests primarily in securities issued by the U.S. government or its agencies, as well as repurchase agreements with collateral backing of U.S. Treasuries or to a lesser extent mortgage-backed securities.

Seeks to maintain a stable \$1 net asset value (NAV).

Maintains an average maturity of 60 days or less.

**Note:** The Investor Shares are closed to new investors.

## Quarterly Commentary

The combination of faster economic growth, a recovery in commodity prices, ongoing fiscal and monetary stimulus, and a low basis of comparison from last year pushed inflation readings higher. Although those forces caused some volatility in longer-term interest rates, even as central bank policy kept short-term rates anchored near zero, they ended the quarter lower in several developed markets. Against this backdrop, money market fund yields have remained low since initially decreasing in the first quarter of 2020 after the U.S. Federal Reserve initially cut rates.

The yield curve flattened, as longer-term yields fell over the second quarter of 2021 after meaningfully steepening in the first quarter. The 3-month yield increased 3 basis points (bps) to 0.04%, while the 2-year yield rose 9 bps to 0.25%. Further out in maturity, the 5-year yield declined 5 bps to 0.89%, and the 10-year yield declined 27 bps to 1.47% after reaching a recent high in March. (A basis point is one-hundredth of a percentage point.)

Vanguard Cash Reserves Federal Money Market Fund returned 0.00% for the three months and yielded 0.01% at quarter-end. The average return of the fund's peers was 0.00%. The weighted average maturity of the fund's holdings was 40 days, and their weighted average life was 96 days.

As of June 30, approximately 62% of the fund's assets were invested in Treasuries and roughly 31% were invested in U.S. agency obligations, with the remainder invested in repurchase agreements collateralized by U.S. government obligations, primarily Treasury securities. Securities issued by companies in the financial services industry, which includes securities issued by certain government-sponsored enterprises, accounted for more than 25% of fund assets at quarter-end; floating-rate securities, which allow the advisor to maintain the fund's short maturity profile, accounted for roughly 18% of fund assets.

For the 12 months ended June 30, the Treasury yield curve steepened, driven by the yield increases across the curve in the first quarter of 2021. The 3-month yield fell 9 bps, while the 2-year yield, 5-year yield, and 10-year yield increased 10 bps, 60 bps, and 81 bps, respectively. The fund returned 0.02%; the average return of its peers was 0.03%.

Note: Changes in yields may reflect rounding. ☒

## People and Process

Vanguard Cash Reserves Federal Money Market Fund seeks to provide current income, while maintaining a stable \$1 NAV and a very short average maturity. The fund invests at least 99.5% of its total assets in cash, government securities, and/or repurchase agreements that are collateralized solely by government securities or cash (collectively, government securities). As government securities, the fund's holdings have very high credit quality, although some are not backed by the full faith and credit of the U.S. government. The fund invests more than 25% of its assets in securities issued by companies in the financial services industry, which includes securities issued by certain government-sponsored enterprises. The portfolio managers seek to add value primarily by emphasizing specific issues that appear attractively priced based on historical yield-spread relationships. The average maturity typically ranges from 30–60 days, and the fund maintains a dollar-weighted average maturity of 60 days or less, and a dollar-weighted average life of 120 days or less.

## Vanguard Fixed Income Group

Launched in 1975, The Vanguard Group, Malvern, Pennsylvania, is among the world's largest equity and fixed income managers. As chief investment officer, Gregory Davis, CFA, oversees Vanguard's Equity Index, Quantitative Equity, and Fixed Income Groups. Sara Devereux, principal and global head of Fixed Income Group, has direct oversight responsibility for all money market, bond, and stable value portfolios managed by the Fixed Income Group. The Fixed Income Group offers actively managed investments in U.S. Treasury, corporate, and tax-exempt securities, as well as passively managed index portfolios. Since 1981, it has refined techniques in total-return management, credit research, and index sampling to seek to deliver consistent performance with transparency and risk control. The group has advised Vanguard Cash Reserves Federal Money Market Fund since 1981.

## Investment Manager Biographies

Nafis T. Smith. Portfolio manager. Advised the fund since 2017. Worked in investment management since 2003. B.A., Cornell University.

## Total Returns

	Expense Ratio	7-Day Yield	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Cash Reserves Federal Money Market Fund								
Investor Shares (6/4/1975)	0.16%	0.01%	0.00%	0.00%	0.02%	1.29%	1.20%	0.63%
Admiral Shares (10/3/1989)	0.10	0.01	0.00	0.01	0.04	1.33	1.25	0.69
Spliced U.S. Government Money Market Funds Average	—	—	0.00	0.01	0.03	1.04	0.89	0.44

**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](http://vanguard.com/performance).**

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: Spliced U.S. Government Money Market Funds Average: Money Market Funds Average through November 30, 2020; U.S. Government Money Market Funds Average thereafter. Derived from data provided by Lipper, a Thomson Reuters Company. The seven-day average income yield listed above more closely reflects the current earnings of the fund than the total returns shown. Average fund returns are derived from data provided by Lipper, a Thomson Reuters Company. Admiral class shareholders are required to maintain a minimum balance of \$5 million.

## Quarterly Returns: Investor Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		Assets (Millions)
					Cash Reserves Federal Money Market	Spliced U.S. Government Money Market Funds Average	
2021	0.00%	0.00%	—	—	—	—	\$7,974
2020	0.39	0.12	0.02%	0.00%	0.53%	0.36%	74,204
2019	0.61	0.60	0.55	0.46	2.23	1.86	107,303
2018	0.37	0.47	0.52	0.57	1.95	1.52	100,085
2017	0.20	0.24	0.28	0.30	1.02	0.60	83,405
2016	0.09	0.11	0.12	0.16	0.49	0.12	89,532
2015	0.00	0.00	0.01	0.03	0.05	0.00	109,918
2014	0.00	0.00	0.00	0.00	0.01	0.00	102,986
2013	0.00	0.00	0.01	0.00	0.02	0.00	103,782
2012	0.01	0.01	0.01	0.01	0.04	0.00	96,889
2011	0.02	0.02	0.01	0.01	0.05	0.00	92,723

## Quarterly Returns: Admiral Shares

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		Assets (Millions)
					Cash Reserves Federal Money Market	Spliced U.S. Government Money Market Funds Average	
2021	0.00%	0.00%	—	—	—	—	\$89,278
2020	0.40	0.13	0.03%	0.01%	0.57%	0.36%	39,101
2019	0.62	0.62	0.56	0.47	2.29	1.86	19,756
2018	0.39	0.48	0.54	0.59	2.01	1.52	17,425
2017	0.21	0.26	0.29	0.32	1.08	0.60	12,582
2016	0.11	0.13	0.14	0.17	0.55	0.12	12,268
2015	0.02	0.02	0.03	0.05	0.11	0.00	28,330
2014	0.01	0.01	0.01	0.01	0.05	0.00	29,705
2013	0.02	0.01	0.02	0.01	0.06	0.00	28,050
2012	0.03	0.03	0.03	0.03	0.11	0.00	25,621
2011	0.05	0.04	0.03	0.03	0.14	0.00	23,728

### Fund Facts

	Investor Shares	Admiral Shares
Fund Number	0030	0066
Ticker	VMMXX	VMRXX
Newspaper Listing	VangCashResFdl	VangCashResFdlAd
CUSIP Number	922906201	922906508
Assets (millions) (Total \$97,252)	\$7,974	\$89,278
Inception	6/4/1975	10/3/1989
Expense Ratio (as of 12/2020)	0.16%	0.10%

### Money Market Characteristics

	% of Money Market Instruments
Average Maturity	40.0 days
Weighted average life	96.0 days

### Distribution by Issuer

	% of Portfolio
Bankers Acceptances	0.0%
Certificates of Deposit	0.0
Repurchase Agreements	7.1
U.S. Commercial Paper	0.0
U.S. Govt. Obligations	33.9
U.S. Treasury Bills	59.0
Yankee/Foreign	0.0
Other	0.0
<b>Total</b>	<b>100.0%</b>

## Important information

*The Fund is only available to retail investors (natural persons). You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.*

*For more information about Vanguard funds or Vanguard ETFs, visit [vanguard.com](http://vanguard.com) or call 800-523-1036 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.*

*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.*

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk. The Fund is subject to interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk is expected to be extremely high for the Fund because it invests mainly in zero coupon long-term bonds, which have prices that are very sensitive to interest rate changes. Because the Fund invests mainly in Treasury strips with maturities ranging from 20 to 30 years, rising interest rates may cause the value of the Fund's investments to decline significantly.

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

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