

Vanguard[®]

Annual Report | January 31, 2020

Vanguard Energy Fund

See the inside front cover for important information about access to your fund's annual and semiannual shareholder reports.

Important information about access to shareholder reports

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of your fund’s annual and semiannual shareholder reports will no longer be sent to you by mail, unless you specifically request them. Instead, you will be notified by mail each time a report is posted on the website and will be provided with a link to access the report.

If you have already elected to receive shareholder reports electronically, you will not be affected by this change and do not need to take any action. You may elect to receive shareholder reports and other communications from the fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you invest directly with the fund, by calling Vanguard at one of the phone numbers on the back cover of this report or by logging on to vanguard.com.

You may elect to receive paper copies of all future shareholder reports free of charge. If you invest through a financial intermediary, you can contact the intermediary to request that you continue to receive paper copies. If you invest directly with the fund, you can call Vanguard at one of the phone numbers on the back cover of this report or log on to vanguard.com. Your election to receive paper copies will apply to all the funds you hold through an intermediary or directly with Vanguard.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the front of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

A Note From Our Chairman



Tim Buckley
Chairman and Chief Executive Officer

Dear Shareholder,

These are challenging times. The markets plummet one day and bounce back the next as investors process the uncertainty surrounding the coronavirus outbreak.

At Vanguard, we tell investors to “stay the course” in good times and bad. This means focusing on your investment goals, keeping a long-term perspective, being balanced across and diversified within asset classes, and limiting cost.

Vanguard investors have proven time and again that they know how to stay calm in a market downturn—an attribute that has served them well. But for those who are weathering their first bout of market volatility or could just use a friendly reminder, let me offer three points.

First, we stand by our counsel—“stay the course.”

Don’t be tempted to time the markets. It’s a losing strategy. An investment plan established during calmer times should not be abandoned in the midst of a market downturn. Although having exposure to different asset classes does not eliminate the risk of loss, we believe investors should let the potential benefits of diversification play out.

Second, whether you’re new to investing or a seasoned financial advisor, don’t feel that you need to go it alone. Our mission is to help you succeed, so reach out if we can be of help.

Our websites are constantly refreshed with our latest thinking on the markets and economy. And our experts offer practical advice on how to put this perspective to work in your portfolios.

And, finally, thank you.

Thank you for entrusting us with your financial success. It’s a tremendous responsibility that we take very seriously. No matter the market conditions, we look forward to partnering with you and helping you reach your investment goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Mortimer J. Buckley". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mortimer J. Buckley
Chairman and Chief Executive Officer
March 3, 2020

Your Fund's Performance at a Glance

- For the 12 months ended January 31, 2020, Vanguard Energy Fund returned –6.55% for Investor Shares and –6.50% for Admiral Shares. It held up a bit better than its benchmark, which returned –6.98%.
- The broad stock market, as measured by the Standard & Poor's 500 Index, returned 21.68% for the fiscal year thanks to a stronger-than-expected U.S. economy fueled by the Federal Reserve's three interest rate cuts in 2019. An initial trade deal calling for the United States to reduce tariffs and China to buy large quantities of U.S. farm products also helped.
- Declining oil prices led to negative returns for the fund. Its oil and gas exploration and production holdings significantly hurt performance, although positions in utilities companies boosted results.
- For the ten years ended January 31, 2020, the fund posted an average annual return of 1.18% for Investor Shares, just below that of its benchmark index.

Market Barometer

| | Average Annual Total Returns Periods Ended January 31, 2020 | | |
|--|--|-------------|------------|
| | One Year | Three Years | Five Years |
| Stocks | | | |
| Russell 1000 Index (Large-caps) | 21.39% | 14.33% | 12.13% |
| Russell 2000 Index (Small-caps) | 9.21 | 7.28 | 8.23 |
| Russell 3000 Index (Broad U.S. market) | 20.53 | 13.82 | 11.85 |
| FTSE All-World ex US Index (International) | 10.28 | 7.74 | 5.24 |
| Bonds | | | |
| Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market) | 9.64% | 4.62% | 3.01% |
| Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market) | 8.65 | 5.12 | 3.53 |
| FTSE Three-Month U.S. Treasury Bill Index | 2.18 | 1.68 | 1.07 |
| CPI | | | |
| Consumer Price Index | 2.49% | 2.04% | 2.00% |

Advisors' Report

For the 12 months ended January 31, 2020, Vanguard Energy Fund returned –6.55% for Investor Shares and –6.50% for Admiral Shares. It held up slightly better than its benchmark, the MSCI All Country World Energy Index, which returned –6.98%. Your fund is managed by two advisors, a strategy that enhances fund diversification by providing exposure to distinct yet complementary investment approaches. It's not uncommon for different advisors to have different views about individual securities or the broader investment environment.

The advisors, the amount and percentage of fund assets each manages, and brief descriptions of their investment strategies are presented in the accompanying table. The advisors also have provided a discussion of the investment environment that existed during the period and of how their portfolio positioning reflects this assessment. These reports were prepared on February 19, 2020.

Wellington Management Company LLP

Portfolio Manager:

G. Thomas Levering,
Senior Managing Director,
Global Industry Analyst

Investment strategy

Wellington Management's portion of the fund emphasizes long-term total-return opportunities through diversified energy equity exposure. We believe that the future

of energy will be increasingly carbon-free, and we therefore take a comprehensive approach to defining evolving opportunities.

We invest not only in the multiple subindustries included in energy benchmarks (e.g., integrated oil, exploration and production, refining and marketing, and energy equipment and services), but also in non-benchmark renewable power and electricity networks. The portion of the fund that we manage is therefore representative of the energy sector as a whole, and the weightings of underlying subindustries reflect the relative attractiveness of the stocks within them.

Investment environment

Global equities performed strongly over the 12 months. Stocks in the global energy sector underperformed the broader market (+16.67%), as measured by the MSCI All Country World Index.

Following a particularly volatile end to 2018, energy markets stabilized in the first quarter of 2019. Dovish comments from the Federal Reserve and productive trade talks between the U.S. and China helped to ease concerns about global demand. At the end of the second quarter, shrinking U.S. crude oil stockpiles and rising political tensions between the U.S. and Iran propelled crude oil to its biggest move since January.

Early in the third quarter, it appeared that this trend would continue as Russia and Saudi Arabia struck a deal at the G20 to extend previously agreed-upon output

cuts through the remainder of the year. However, initial gains were cut short as fears of a global economic slowdown weighed on the energy demand outlook.

Energy equities rebounded in the fourth quarter as improving 2020 oil supply/demand estimates and positive developments on the U.S.-China trade front lent broad support to oil prices. Spot WTI crude oil finished the year at \$61, up 13% for the quarter and well above the \$45 it started at in 2019.

Optimism about fundamentals increased heading into the new year, but energy equities experienced a difficult first month of 2020 as markets grappled with uncertainty about the magnitude and duration of the coronavirus outbreak.

Our successes and shortfalls

Security selection detracted from our portion of the portfolio's performance, particularly among upstream producers and equipment and services. This was partially offset by strong selection in transportation and distribution and integrated oils. Overall, subindustry allocation decisions contributed to performance, led by an overweight to energy utilities.

On an individual security basis, the largest contributors over the period included out-of-benchmark allocations to Sempra Energy (utilities) and Iberdrola (utilities). We believe Iberdrola is well-positioned to gain share as adoption of renewables grows worldwide.

Ovintiv (previously known as Encana), a North American producer with operations in natural gas and crude oil, detracted from returns. The company has undergone a transformation over the past few years with the goal of returning more free cash flow to shareholders. But its corporate history and historical trading patterns as a highly levered gas company seem to be overshadowing its move to a more balanced business model.

We initiated a position in Gazprom, a Russia-based natural gas company that focuses on the extraction, production, transport, and sale of natural gas. During the second quarter, shares hit a ten-year high after the company announced plans to increase its dividend payout ratio to 50% of net profit, beating consensus expectations.

The fund's positioning

Portfolio positioning was fairly consistent over the year, particularly at the sub-industry level. It has historically been heavily concentrated in the largest segments of the MSCI All Country World Energy benchmark—the integrated oils and upstream producers. Recently, we have strategically reduced exposure to these areas in order to add to select energy utility companies.

As the future of energy becomes increasingly carbon-free, we expect that the risk-reward of investing in purely fossil fuel equities will become relatively less attractive. Fossil fuel demand growth will continue to wane and anti-carbon policy

pressure will rise. As a result, we are increasingly focused on finding attractive opportunities in all forms of energy and all segments of the energy value chain.

Vanguard Quantitative Equity Group

Portfolio Managers:

James P. Stetler

Binbin Guo, Principal, Head of Alpha Equity Investments

The investment environment

In general, energy stocks struggled both on an absolute basis and relative to the broader stock market. The MSCI All Country World Energy Index returned -6.98% for the period, while the broader MSCI All Country World Index returned 16.67%.

Results were held back by increases in U.S. petroleum production, which put downward pressure on crude oil prices. The rise in production likely limited the effect on prices of several key events that occurred just before or during the fiscal year. These included the attack on two Saudi oil tankers, production cut announcements from OPEC, and U.S. sanctions on Venezuela and Iran that limited crude oil exports from those countries.

On January 6, oil prices reached \$70.73 a barrel amid fears that the U.S. airstrike that killed Iran's top military commander might trigger a retaliation and disrupt global

energy supplies. They then dropped significantly as the coronavirus sparked fears of an economic slowdown.

In 2019, natural gas spot prices averaged \$2.57 per million British thermal units (MMBtu), about 60 cents per MMBtu lower than in 2018 and the lowest annual average price since 2016. This drop supported higher consumption—particularly in the electric generation sector—and more natural gas exports. Continued growth in domestic natural gas production also supported lower prices throughout the fund's fiscal year.

Investment objective and strategy

It's important to understand how our overall performance is affected by the macroeconomic factors we've described. However, our approach to investing focuses on specific fundamentals—not on technical analysis of stock price movements—so that we can identify stocks with characteristics that we believe will outperform over the long run.

To do this, we use a strict quantitative process that focuses on several fundamental factors. We believe that attractive stocks exhibit four key themes: (1) high quality—healthy balance sheets and consistent cash-flow generation; (2) sound management decisions—investment policies that favor internal over external funding; (3) strong market sentiment—market confirmation of our view; and (4) reasonable valuation—avoidance of overpriced stocks. Using

these results, we construct our portfolio with the goals of maximizing expected return and minimizing exposure to risks that our research indicates do not improve returns.

Our successes and shortfalls

For the 12 months, our sentiment and management decisions boosted relative performance, but our valuation and quality models did not perform as expected.

Our selections in integrated oil and gas held up better than those in the benchmark, while our oil and gas refining and marketing holdings were by far the biggest detractors from relative performance.

We also benefited from our positions in Russia and, to a lesser extent, Brazil and Thailand. Our holdings in India, the United States, and Canada detracted the most.

Our most successful overweights included those to Gazprom and Rosneft Oil Company. We also benefited from an underweight to Concho Resources. Our results were restrained by overweighted positions in EQT and HollyFrontier and underweights to Anadarko Petroleum and Phillips 66.

Vanguard Energy Fund Investment Advisors

| Investment Advisor | Fund Assets Managed | | Investment Strategy |
|------------------------------------|---------------------|------------|---|
| | % | \$ Million | |
| Wellington Management Company LLP | 93 | 5,762 | Emphasizes long-term total-return opportunities from the various energy subsectors: international oils, foreign integrated oils and foreign producers, North American producers, oil services and equipment, midstream and utilities, and refining and marketing. |
| Vanguard Quantitative Equity Group | 5 | 312 | Employs a quantitative fundamental management approach using models that assess valuation, management decisions, market sentiment, and earnings and balance-sheet quality of companies as compared with their peers. |
| Cash Investments | 2 | 106 | These short-term reserves are invested by Vanguard in equity index products to simulate investments in stock. Each advisor may also maintain a modest cash position. |

About Your Fund's Expenses

As a shareholder of the fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The accompanying table illustrates your fund's costs in two ways:

- **Based on actual fund return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your fund under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the fund's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that the expenses shown in the table are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the fund for buying and selling securities. Further, the expenses do not include any purchase, redemption, or account service fees described in the fund prospectus. If such fees were applied to your account, your costs would be higher. Your fund does not carry a "sales load."

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the fund's expenses, including annual expense ratios, in the Financial Statements section of this report. For additional information on operating expenses and other shareholder costs, please refer to your fund's current prospectus.

Six Months Ended January 31, 2020

| Energy Fund | Beginning Account Value 7/31/2019 | Ending Account Value 1/31/2020 | Expenses Paid During Period |
|---|---|--------------------------------------|-----------------------------------|
| Based on Actual Fund Return | | | |
| Investor Shares | \$1,000.00 | \$941.33 | \$1.57 |
| Admiral™ Shares | 1,000.00 | 941.55 | 1.17 |
| Based on Hypothetical 5% Yearly Return | | | |
| Investor Shares | \$1,000.00 | \$1,023.59 | \$1.63 |
| Admiral Shares | 1,000.00 | 1,024.00 | 1.22 |

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.32% for Investor Shares and 0.24% for Admiral Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (184/365).

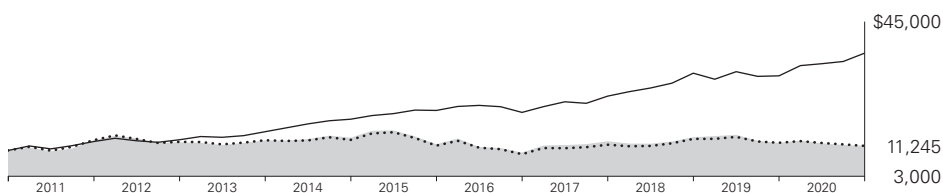
Energy Fund

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (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.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares.

Cumulative Performance: January 31, 2010, Through January 31, 2020

Initial Investment of \$10,000



| | Average Annual Total Returns Periods Ended January 31, 2020 | | | Final Value of a \$10,000 Investment |
|---|--|---------------|--------------|--|
| | One Year | Five Years | Ten Years | |
| Energy Fund Investor Shares | -6.55% | -0.80% | 1.18% | \$11,245 |
| Spliced Energy Index | -6.98 | -0.12 | 1.19 | 11,254 |
| Dow Jones U.S. Total Stock Market Float Adjusted Index | 20.37 | 11.79 | 13.80 | 36,436 |

Spliced Energy Index: S&P 500 Index through November 30, 2000; S&P Energy Sector Index through May 31, 2010; MSCI All Country World Energy Index thereafter.

| | One Year | Five Years | Ten Years | Final Value of a \$50,000 Investment |
|---|-------------|---------------|--------------|--|
| Energy Fund Admiral Shares | -6.50% | -0.72% | 1.25% | \$56,598 |
| Spliced Energy Index | -6.98 | -0.12 | 1.19 | 56,271 |
| Dow Jones U.S. Total Stock Market Float Adjusted Index | 20.37 | 11.79 | 13.80 | 182,178 |

See Financial Highlights for dividend and capital gains information.

Sector Diversification

As of January 31, 2020

| | |
|------------------------------------|-------|
| Integrated Oil & Gas | 41.6% |
| Oil & Gas Drilling | 0.2 |
| Oil & Gas Equipment & Services | 4.3 |
| Oil & Gas Exploration & Production | 22.4 |
| Oil & Gas Refining & Marketing | 8.1 |
| Oil & Gas Storage & Transportation | 7.3 |
| Utilities | 13.1 |
| Other | 3.0 |

The table reflects the fund's equity exposure, based on its investments in stocks and stock index futures. Any holdings in short-term reserves are excluded. 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.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of McGraw-Hill Companies, Inc. ("S&P"), and is licensed for use by Vanguard. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classification makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of its affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Energy Fund

| | Shares | Market Value* (\$000) | | Shares | Market Value* (\$000) |
|--|-----------|--------------------------|--------------------------------------|------------|--------------------------|
| Canada (7.9%) | | | Hungary (0.0%) | | |
| TC Energy Corp. (XNYS) | 2,793,174 | 153,122 | MOL Hungarian Oil & Gas plc | 173,723 | 1,473 |
| Enbridge Inc. (XTSE) | 2,497,878 | 101,565 | | | |
| Parex Resources Inc. | 3,274,932 | 51,844 | | | |
| Suncor Energy Inc. (XNYS) | 1,671,900 | 51,143 | India (2.8%) | | |
| Enbridge Inc. (XNYS) | 1,202,816 | 48,919 | Reliance Industries Ltd. | 5,492,967 | 108,346 |
| Canadian Natural Resources Ltd. (XNYS) | 1,475,000 | 41,492 | Power Grid Corp. of India Ltd. | 21,922,265 | 57,340 |
| TC Energy Corp. (XTSE) | 496,812 | 27,243 | Oil & Natural Gas Corp. Ltd. | 1,385,961 | 2,109 |
| Suncor Energy Inc. (XTSE) | 176,382 | 5,391 | Hindustan Petroleum Corp. Ltd. | 589,408 | 1,922 |
| Canadian Natural Resources Ltd. (XTSE) | 180,607 | 5,079 | Oil India Ltd. | 836,511 | 1,514 |
| Imperial Oil Ltd. | 93,975 | 2,228 | | | 171,231 |
| Pembina Pipeline Corp. | 16,977 | 650 | Israel (0.1%) | | |
| | | 488,676 | Oil Refineries Ltd. | 3,563,390 | 1,569 |
| | | | Delek Group Ltd. | 11,687 | 1,498 |
| | | | Paz Oil Co. Ltd. | 11,607 | 1,408 |
| | | | | | 4,475 |
| China (2.8%) | | | Italy (4.9%) | | |
| CNOOC Ltd. ADR | 786,705 | 118,792 | Eni SPA ADR | 4,825,616 | 135,069 |
| ENN Energy Holdings Ltd. | 2,743,800 | 31,896 | Eni SPA | 6,985,124 | 60,885 |
| China Oilfield Services Ltd. | 8,586,000 | 12,458 | TENARIS SA | 5,346,431 | 55,253 |
| CNOOC Ltd. | 3,099,974 | 4,641 | Tenaris SA ADR | 1,626,565 | 33,654 |
| China Longyuan Power Group Corp. Ltd. | 3,443,000 | 2,036 | Eni SPA | 1,174,161 | 16,447 |
| Xinyi Solar Holdings Ltd. | 2,851,000 | 1,992 | Saipem SPA | 462,684 | 1,918 |
| Kunlun Energy Co. Ltd. | 2,450,000 | 1,898 | | | 303,226 |
| CIMC Enric Holdings Ltd. | 2,186,000 | 1,116 | Japan (0.1%) | | |
| China Petroleum & Chemical Corp. | 556,485 | 293 | JXTG Holdings Inc. | 748,100 | 3,182 |
| | | 175,122 | Inpex Corp. | 273,700 | 2,555 |
| | | | ^ Cosmo Energy Holdings Co. Ltd. | 86,300 | 1,664 |
| | | | Japan Petroleum Exploration Co. Ltd. | 65,200 | 1,601 |
| Colombia (0.0%) | | | | | 9,002 |
| Ecopetrol SA | 68,898 | 1,275 | Norway (1.6%) | | |
| | | | Equinor ASA | 3,847,123 | 69,431 |
| | | | Equinor ASA ADR | 1,443,408 | 26,241 |
| | | | Aker BP ASA | 70,704 | 1,992 |
| | | | | | 97,664 |
| Denmark (0.0%) | | | Poland (0.0%) | | |
| Vestas Wind Systems A/S | 5,325 | 529 | Grupa Lotos SA | 91,639 | 1,819 |
| | | | | | |
| Finland (0.0%) | | | Portugal (1.2%) | | |
| Neste Oyj | 5,155 | 205 | Galp Energia SGPS SA | 4,994,144 | 75,464 |
| | | | | | |
| France (8.2%) | | | Russia (4.7%) | | |
| TOTAL SA ADR | 6,253,571 | 303,861 | Lukoil PJSC ADR | 1,580,066 | 160,763 |
| TOTAL SA | 2,087,985 | 101,666 | Gazprom PJSC ADR | 14,944,015 | 104,752 |
| Engie SA | 5,880,699 | 101,226 | Gazprom PJSC | 1,792,291 | 6,334 |
| | | 506,753 | Rosneft Oil Co. PJSC | 414,767 | 3,111 |
| | | | LUKOIL PJSC | 23,865 | 2,440 |
| Greece (0.1%) | | | | | |
| Hellenic Petroleum SA | 186,762 | 1,631 | | | |
| Motor Oil Hellas Corinth Refineries SA | 72,575 | 1,541 | | | |
| | | 3,172 | | | |

Energy Fund

| | Shares | Market Value* (\$000) | | Shares | Market Value* (\$000) |
|-------------------------------|------------|--------------------------|--|-----------|--------------------------|
| AK Transneft OAO | | | Temporary Cash Investments (3.3%)¹ | | |
| Preference Shares | 851 | 2,193 | Money Market Fund (1.7%) | | |
| Tatneft PJSC ADR | 30,385 | 2,182 | ^{3,4} Vanguard Market | | |
| Tatneft PJSC | 155,950 | 1,849 | Liquidity Fund, | | |
| Rurgutneftegas PJSC | 2,455,421 | 1,763 | 1.730% | 1,058,086 | 105,830 |
| Rosneft Oil Co. | | | | | |
| PJSC GDR | 155,000 | 1,160 | | | |
| Surgutneftegas OAO | | | | Face | |
| Preference Shares | 1,938,125 | 1,094 | | Amount | |
| Novatek PJSC GDR | 5,442 | 979 | | (\$000) | |
| Tatneft PAO | | | Repurchase Agreements (1.5%) | | |
| Preference Shares | 18,838 | 211 | Societe Generale | | |
| Bashneft PAO | | | 1.560%, 2/3/20 | | |
| Preference Shares | 6,209 | 171 | (Dated 1/31/20, | | |
| | | 289,002 | Repurchase Value | | |
| South Korea (0.0%) | | | \$28,304,000, | | |
| GS Holdings Corp. | 43,645 | 1,664 | collateralized by U.S. | | |
| Spain (3.5%) | | | Treasury Note/Bond | | |
| * Repsol SA | 7,909,904 | 108,863 | 0.000%–5.000%, | | |
| * Iberdrola SA | 9,543,437 | 104,418 | 2/6/20–11/15/47, | | |
| Iberdrola SA-INT | 120,060 | 1,314 | Federal National | | |
| | | 214,595 | Mortgage Assn. | | |
| Sweden (0.6%) | | | 3.000%–4.500%, | | |
| Lundin Petroleum AB | 1,199,013 | 36,468 | 4/1/25–2/1/57, with | | |
| Thailand (0.1%) | | | a value of \$28,866,000) | 28,300 | 28,300 |
| PTT Exploration | | | RBS Securities, Inc. | | |
| & Production PCL | | | 1.570%, 2/3/20 | | |
| (Foreign) | 615,500 | 2,436 | (Dated 1/31/20, | | |
| PTT PCL (Foreign) | 703,000 | 970 | Repurchase Value | | |
| | | 3,406 | \$61,408,000, | | |
| Turkey (0.0%) | | | collateralized by U.S. | | |
| KOC Holding AS | 494,226 | 1,609 | Treasury Note/Bond | | |
| United Kingdom (13.7%) | | | 1.625%, 5/15/26, with | | |
| BP plc ADR | 7,633,963 | 275,815 | a value of \$62,628,000) | 61,400 | 61,400 |
| Royal Dutch Shell plc | | | | | 89,700 |
| ADR | 4,564,897 | 238,059 | U.S. Government and Agency Obligations (0.1%) | | |
| BP plc | 22,664,699 | 136,446 | ⁵ United States Treasury | | |
| Royal Dutch Shell plc | | | Bill, 1.531%, 2/13/20 | 3,000 | 2,999 |
| (XLON) | 3,882,456 | 101,956 | ⁵ United States Treasury | | |
| National Grid plc | 5,249,040 | 69,743 | Bill, 1.872%, 2/20/20 | 2,500 | 2,498 |
| Royal Dutch Shell plc | | | ⁵ United States Treasury | | |
| Class B | 546,265 | 14,354 | Bill, 1.515%, 4/9/20 | 100 | 99 |
| Royal Dutch Shell plc | | | | | 5,596 |
| (XAMS) | 381,491 | 9,999 | Total Temporary Cash Investments | | |
| Petrofac Ltd. | 308,868 | 1,421 | (Cost \$201,116) | | 201,126 |
| | | 847,793 | Total Investments (100.7%) | | |
| Total International | | 3,361,995 | (Cost \$5,152,457) | | 6,223,575 |
| Total Common Stocks | | | | | |
| (Cost \$4,951,341) | | 6,022,449 | | | |

Energy Fund

| | Amount (\$000) |
|--|-------------------|
| Other Assets and Liabilities (-0.7%) | |
| Other Assets | |
| Investment in Vanguard | 300 |
| Receivables for Investment Securities Sold | 125,939 |
| Receivables for Accrued Income | 2,247 |
| Receivables for Capital Shares Issued | 4,917 |
| Other Assets | 670 |
| Total Other Assets | 134,073 |
| Liabilities | |
| Payables for Investment Securities Purchased | (136,425) |
| Payables to Investment Advisor | (1,399) |
| Collateral for Securities on Loan | (15,158) |
| Payables for Capital Shares Redeemed | (7,282) |
| Payables to Vanguard | (10,224) |
| Variation Margin Payable— | |
| Futures Contracts | (1,952) |
| Other Liabilities | (4,848) |
| Total Liabilities | (177,288) |
| Net Assets (100%) | 6,180,360 |

At January 31, 2020, net assets consisted of:

| | Amount (\$000) |
|---|-------------------|
| Paid-in Capital | 5,217,671 |
| Total Distributable Earnings (Loss) | 962,689 |
| Net Assets | 6,180,360 |
| Investor Shares—Net Assets | |
| Applicable to 41,420,862 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization) | 1,792,508 |
| Net Asset Value Per Share—Investor Shares | \$43.28 |
| Admiral Shares—Net Assets | |
| Applicable to 54,049,293 outstanding \$0.01 par value shares of beneficial interest (unlimited authorization) | 4,387,852 |
| Net Asset Value Per Share—Admiral Shares | \$81.18 |

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

[^] Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$14,147,000.

- The fund invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the fund's effective common stock and temporary cash investment positions represent 99.0% and 1.7%, respectively, of net assets.
 - Considered an affiliated company of the fund as the issuer is another member of The Vanguard Group.
 - Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
 - Collateral of \$15,158,000 was received for securities on loan.
 - Securities with a value of \$4,197,000 have been segregated as initial margin for open futures contracts.
- ADR—American Depositary Receipt.
GDR—Global Depositary Receipt.

Energy Fund

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

| | | | | (\$000) |
|---------------------------------------|------------|--|--------------------|---|
| | Expiration | Number of Long (Short) Contracts | Notional Amount | Value and Unrealized Appreciation (Depreciation) |
| <hr/> Long Futures Contracts <hr/> | | | | |
| E-mini S&P 500 Index | March 2020 | 588 | 94,786 | 22 |
| E-mini S&P Energy Select Sector Index | March 2020 | 14 | 773 | (55) |
| | | | | <hr/> (33) <hr/> |

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Operations

| | Year Ended January 31, 2020 |
|--|--------------------------------|
| | (\$000) |
| Investment Income | |
| Income | |
| Dividends—Unaffiliated Issuers ¹ | 248,220 |
| Dividends—Affiliated Issuers | 921 |
| Interest—Unaffiliated Issuers | 4,044 |
| Interest—Affiliated Issuers | 1,909 |
| Securities Lending—Net | 733 |
| Total Income | 255,827 |
| Expenses | |
| Investment Advisory Fees—Note B | |
| Basic Fee | 10,640 |
| Performance Adjustment | (4,134) |
| The Vanguard Group—Note C | |
| Management and Administrative—Investor Shares | 4,502 |
| Management and Administrative—Admiral Shares | 7,303 |
| Marketing and Distribution—Investor Shares | 212 |
| Marketing and Distribution—Admiral Shares | 266 |
| Custodian Fees | 419 |
| Auditing Fees | 33 |
| Shareholders' Reports—Investor Shares | 60 |
| Shareholders' Reports—Admiral Shares | 38 |
| Trustees' Fees and Expenses | 11 |
| Total Expenses | 19,350 |
| Net Investment Income | 236,477 |
| Realized Net Gain (Loss) | |
| Investment Securities Sold—Unaffiliated Issuers | 651,288 |
| Investment Securities Sold—Affiliated Issuers | (6,212) |
| Futures Contracts | 15,442 |
| Foreign Currencies | 125 |
| Realized Net Gain (Loss) | 660,643 |
| Change in Unrealized Appreciation (Depreciation) | |
| Investment Securities—Unaffiliated Issuers ² | (1,332,662) |
| Investment Securities—Affiliated Issuers | 4,109 |
| Futures Contracts | (1,921) |
| Foreign Currencies | 85 |
| Change in Unrealized Appreciation (Depreciation) | (1,330,389) |
| Net Increase (Decrease) in Net Assets Resulting from Operations | (433,269) |

1 Dividends are net of foreign withholding taxes of \$14,444,000.

2 The change in unrealized appreciation (depreciation) is net of the change in deferred foreign capital gains taxes of \$1,437,000.

See accompanying Notes, which are an integral part of the Financial Statements.

Statement of Changes in Net Assets

| | Year Ended January 31, | |
|---|------------------------|-----------------|
| | 2020 (\$000) | 2019 (\$000) |
| Increase (Decrease) in Net Assets | | |
| Operations | | |
| Net Investment Income | 236,477 | 222,432 |
| Realized Net Gain (Loss) | 660,643 | 87,343 |
| Change in Unrealized Appreciation (Depreciation) | (1,330,389) | (1,360,432) |
| Net Increase (Decrease) in Net Assets Resulting from Operations | (433,269) | (1,050,657) |
| Distributions | | |
| Net Investment Income | | |
| Investor Shares | (64,161) | (60,363) |
| Admiral Shares | (160,906) | (153,140) |
| Realized Capital Gain | | |
| Investor Shares | — | — |
| Admiral Shares | — | — |
| Total Distributions | (225,067) | (213,503) |
| Capital Share Transactions | | |
| Investor Shares | (280,012) | (338,483) |
| Admiral Shares | (752,371) | (290,002) |
| Net Increase (Decrease) from Capital Share Transactions | (1,032,383) | (628,485) |
| Total Increase (Decrease) | (1,690,719) | (1,892,645) |
| Net Assets | | |
| Beginning of Period | 7,871,079 | 9,763,724 |
| End of Period | 6,180,360 | 7,871,079 |

See accompanying Notes, which are an integral part of the Financial Statements.

Financial Highlights

Investor Shares

| For a Share Outstanding Throughout Each Period | Year Ended January 31, | | | | |
|---|------------------------|--------------------|----------------------|----------------|----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Net Asset Value, Beginning of Period | \$47.85 | \$55.62 | \$52.70 | \$40.43 | \$51.53 |
| Investment Operations | | | | | |
| Net Investment Income | 1.519 ¹ | 1.300 ¹ | 1.477 ^{1,2} | .982 | 1.096 |
| Net Realized and Unrealized Gain (Loss) on Investments | (4.524) | (7.788) | 3.035 | 12.275 | (11.118) |
| Total from Investment Operations | (3.005) | (6.488) | 4.512 | 13.257 | (10.022) |
| Distributions | | | | | |
| Dividends from Net Investment Income | (1.565) | (1.282) | (1.592) | (.987) | (1.078) |
| Distributions from Realized Capital Gains | — | — | — | — | — |
| Total Distributions | (1.565) | (1.282) | (1.592) | (.987) | (1.078) |
| Net Asset Value, End of Period | \$43.28 | \$47.85 | \$55.62 | \$52.70 | \$40.43 |
| Total Return³ | -6.55% | -11.48% | 8.75% | 32.73% | -19.53% |

Ratios/Supplemental Data

| | | | | | |
|--|---------|---------|--------------------|---------|---------|
| Net Assets, End of Period (Millions) | \$1,793 | \$2,265 | \$2,968 | \$3,452 | \$2,693 |
| Ratio of Total Expenses to Average Net Assets ⁴ | 0.32% | 0.37% | 0.38% | 0.41% | 0.37% |
| Ratio of Net Investment Income to Average Net Assets | 3.20% | 2.42% | 2.86% ² | 1.97% | 2.20% |
| Portfolio Turnover Rate | 48% | 31% | 24% | 29% | 23% |

1 Calculated based on average shares outstanding.

2 Net investment income per share and the ratio of net investment income to average net assets include \$.342 and 0.67%, respectively, from income received as a result of the General Electric Co. and Baker Hughes Inc. merger in July 2017.

3 Total returns do not include account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable account service fees.

4 Includes performance-based investment advisory fee increases (decreases) of (0.06%), (0.01%), 0.00%, 0.03%, and 0.03%.

Financial Highlights

Admiral Shares

| For a Share Outstanding Throughout Each Period | Year Ended January 31, | | | | |
|---|------------------------|--------------------|----------------------|----------------|----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Net Asset Value, Beginning of Period | \$89.77 | \$104.35 | \$98.88 | \$75.85 | \$96.69 |
| Investment Operations | | | | | |
| Net Investment Income | 2.926 ¹ | 2.511 ¹ | 2.815 ^{1,2} | 1.918 | 2.113 |
| Net Realized and Unrealized Gain (Loss) on Investments | (8.512) | (14.600) | 5.730 | 23.035 | (20.872) |
| Total from Investment Operations | (5.586) | (12.089) | 8.545 | 24.953 | (18.759) |
| Distributions | | | | | |
| Dividends from Net Investment Income | (3.004) | (2.491) | (3.075) | (1.923) | (2.081) |
| Distributions from Realized Capital Gains | — | — | — | — | — |
| Total Distributions | (3.004) | 2.491 | (3.075) | (1.923) | (2.081) |
| Net Asset Value, End of Period | \$81.18 | \$89.77 | \$104.35 | \$98.88 | \$75.85 |
| Total Return³ | -6.50% | -11.40% | 8.84% | 32.83% | -19.48% |

Ratios/Supplemental Data

| | | | | | |
|--|---------|---------|--------------------|---------|---------|
| Net Assets, End of Period (Millions) | \$4,388 | \$5,606 | \$6,796 | \$7,231 | \$5,428 |
| Ratio of Total Expenses to Average Net Assets ⁴ | 0.24% | 0.29% | 0.30% | 0.33% | 0.31% |
| Ratio of Net Investment Income to Average Net Assets | 3.28% | 2.50% | 2.94% ² | 2.05% | 2.26% |
| Portfolio Turnover Rate | 48% | 31% | 24% | 29% | 23% |

1 Calculated based on average shares outstanding.

2 Net investment income per share and the ratio of net investment income to average net assets include \$.643 and 0.67%, respectively, from income received as a result of the General Electric Co. and Baker Hughes Inc. merger in July 2017.

3 Total returns do not include account service fees that may have applied in the periods shown. Fund prospectuses provide information about any applicable account service fees.

4 Includes performance-based investment advisory fee increases (decreases) of (0.06%), (0.01%), 0.00%, 0.03%, and 0.03%.

Notes to Financial Statements

Vanguard Energy Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund invests in securities of foreign issuers, which may subject it to investment risks not normally associated with investing in securities of U.S. corporations. The fund offers two classes of shares: Investor Shares and Admiral Shares. Each of the share classes has different eligibility and minimum purchase requirements, and is designed for different types of investors.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. investment companies. The fund consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued at their fair values calculated according to procedures adopted by the board of trustees. These procedures include obtaining quotations from an independent pricing service, monitoring news to identify significant market- or security-specific events, and evaluating changes in the values of foreign market proxies (for example, ADRs, futures contracts, or exchange-traded funds), between the time the foreign markets close and the fund's pricing time. When fair-value pricing is employed, the prices of securities used by a fund to calculate its net asset value may differ from quoted or published prices for the same securities. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services.

2. **Foreign Currency:** Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates obtained from an independent third party as of the fund's pricing time on the valuation date. Realized gains (losses) and unrealized appreciation (depreciation) on investment securities include the effects of changes in exchange rates since the securities were purchased, combined with the effects of changes in security prices. Fluctuations in the value of other assets and liabilities resulting from changes in exchange rates are recorded as unrealized foreign currency gains (losses) until the assets or liabilities are settled in cash, at which time they are recorded as realized foreign currency gains (losses).

3. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objective of maintaining full exposure to the stock market while maintaining liquidity. The fund may purchase or sell futures contracts to achieve a desired level of investment, whether to accommodate portfolio turnover or cash flows from capital share transactions. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the fund and the prices of futures contracts, and the possibility of an illiquid market. Counterparty risk involving futures is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures contracts on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin

requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Net Assets. Fluctuations in the value of the contracts are recorded in the Statement of Net Assets as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

During the year ended January 31, 2020, the fund's average investments in long and short futures contracts represented 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

4. **Repurchase Agreements:** The fund enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the fund under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral cannot be pledged, resold, or rehypothecated. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The fund further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

5. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2017–2020), and has concluded that no provision for federal income tax is required in the fund's financial statements.

6. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes.

7. **Securities Lending:** To earn additional income, the fund lends its securities to qualified institutional borrowers. Security loans are subject to termination by the fund at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The fund further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the fund may experience delays and costs in recovering

the securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Net Assets for the return of the collateral, during the period the securities are on loan. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the fund is entitled to all distributions made on or in respect of the loaned securities.

8. Credit Facility: The fund and certain other funds managed by The Vanguard Group (“Vanguard”) participate in a \$4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund’s regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund’s board of trustees and included in Management and Administrative expenses on the fund’s Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at January 31, 2020, or at any time during the period then ended.

9. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities are amortized and accreted, respectively, to interest income over the lives of the respective securities, except for premiums on certain callable debt securities that are amortized to the earliest call date. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

Taxes on foreign dividends and capital gains have been provided for in accordance with the fund’s understanding of the applicable countries’ tax rules and rates. Foreign capital gains tax is accrued daily based upon net unrealized gains. The fund has filed tax reclaims for previously withheld taxes on dividends earned in certain European Union countries. These filings are subject to various administrative and judicial proceedings within these countries. Such tax reclaims received during the year, if any, are included in dividend income. No other amounts for additional tax reclaims are reflected in the financial statements due to the uncertainty as to the ultimate resolution of proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment.

Each class of shares has equal rights as to assets and earnings, except that each class separately bears certain class-specific expenses related to maintenance of shareholder accounts (included in Management and Administrative expenses) and shareholder reporting. Marketing and distribution expenses are allocated to each class of shares based on a method approved by the board of trustees. Income, other non-class-specific expenses, and gains and losses on investments are allocated to each class of shares based on its relative net assets.

B. The investment advisory firm Wellington Management Company LLP provides investment advisory services to a portion of the fund for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee is subject to quarterly adjustments

based on performance relative to the MSCI ACWI Energy Index for the preceding three years. Vanguard provides investment advisory services to a portion of the fund as described below; the fund paid Vanguard advisory fees of \$420,000 for the year ended January 31, 2020.

For the year ended January 31, 2020, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.15% of the fund's average net assets, before a decrease of \$4,134,000 (0.06%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the fund's liability for these costs of operations is included in Payables to Vanguard on the Statement of Net Assets. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At January 31, 2020, the fund had contributed to Vanguard capital in the amount of \$300,000, representing less than 0.01% of the fund's net assets and 0.12% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the fund's investments. These inputs are summarized in three broad levels for financial statement purposes. The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments). Any investments valued with significant unobservable inputs are noted on the Statement of Net Assets.

The following table summarizes the market value of the fund's investments and derivatives as of January 31, 2020, based on the inputs used to value them:

| | Level 1 (\$000) | Level 2 (\$000) | Level 3 (\$000) |
|--|--------------------|--------------------|--------------------|
| Investments | | | |
| Common Stocks—United States | 2,659,704 | 750 | — |
| Common Stocks—International | 1,689,560 | 1,672,435 | — |
| Temporary Cash Investments | 105,830 | 95,296 | — |
| Futures Contracts—Liabilities ¹ | (1,952) | — | — |
| Total | 4,453,142 | 1,768,481 | — |

¹ Represents variation margin on the last day of the reporting period.

Energy Fund

E. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for foreign currency transactions, passive foreign investment companies, and tax expense on capital gains were reclassified between the following accounts:

| | Amount (\$000) |
|-------------------------------------|-------------------|
| Paid-in Capital | — |
| Total Distributable Earnings (Loss) | — |

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. The differences are primarily related to the tax deferral of losses on wash sales; the realization of unrealized gains or losses on certain futures contracts; and unrealized gains on passive foreign investment companies. As of period end, the tax-basis components of total distributable earnings (loss) are detailed in the table as follows:

| | Amount (\$000) |
|--|-------------------|
| Undistributed Ordinary Income | 7,187 |
| Undistributed Long-Term Gains | — |
| Capital Loss Carryforwards (Non-expiring)* | (101,333) |
| Net Unrealized Gains (Losses) | 1,066,487 |

* The fund used capital loss carryforwards of \$650,827,000 to offset taxable capital gains realized during the year ended January 31, 2020.

As of January 31, 2020, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

| | Amount (\$000) |
|--|-------------------|
| Tax Cost | 5,157,171 |
| Gross Unrealized Appreciation | 1,357,862 |
| Gross Unrealized Depreciation | (291,458) |
| Net Unrealized Appreciation (Depreciation) | 1,066,404 |

F. During the year ended January 31, 2020, the fund purchased \$3,343,468,000 of investment securities and sold \$4,223,422,000 of investment securities, other than temporary cash investments.

G. Capital share transactions for each class of shares were:

| | Year Ended January 31, | | | |
|---|------------------------|-----------------|-------------------|-----------------|
| | 2020 | | 2019 | |
| | Amount (\$000) | Shares (000) | Amount (\$000) | Shares (000) |
| Investor Shares | | | | |
| Issued | 210,156 | 4,436 | 369,497 | 6,945 |
| Issued in Lieu of Cash Distributions | 59,798 | 1,266 | 56,497 | 1,272 |
| Redeemed | (549,966) | (11,603) | (764,477) | (14,260) |
| Net Increase (Decrease)—Investor Shares | (280,012) | (5,901) | (338,483) | (6,043) |
| Admiral Shares | | | | |
| Issued | 536,363 | 6,047 | 921,133 | 9,349 |
| Issued in Lieu of Cash Distributions | 145,329 | 1,640 | 139,594 | 1,675 |
| Redeemed | (1,434,063) | (16,094) | (1,350,729) | (13,691) |
| Net Increase (Decrease)—Admiral Shares | (752,371) | (8,407) | (290,002) | (2,667) |

H. Transactions during the period in investments where the issuer is another member of The Vanguard Group were as follows:

| | Jan. 31, 2019 Market Value (\$000) | Current Period Transactions | | | | | | Jan. 31, 2020 Market Value (\$000) |
|-----------------------------------|--|---------------------------------|---|--|---|--|---|--|
| | | Purchases at Cost (\$000) | Proceeds from Securities Sold (\$000) | Realized Net Gain (Loss) (\$000) | Change in Unrealized App. (Dep.) Income (\$000) | Capital Gain Distributions Received (\$000) | | |
| Vanguard Energy ETF | 49,789 | — | 29,517 | (6,194) | 4,105 | 921 | — | 18,183 |
| Vanguard Market Liquidity Fund | 46,365 | NA ¹ | NA ¹ | (18) | 4 | 1,909 | — | 105,830 |
| Total | 96,154 | | | (6,212) | 4,109 | 2,830 | — | 124,013 |

¹ Not applicable—purchases and sales are for temporary cash investment purposes.

I. Management has determined that no events or transactions occurred subsequent to January 31, 2020, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Specialized Funds and Shareholders of Vanguard Energy Fund

Opinion on the Financial Statements

We have audited the accompanying statement of net assets of Vanguard Energy Fund (one of the funds constituting Vanguard Specialized Funds, referred to hereafter as the "Fund") as of January 31, 2020, the related statement of operations for the year ended January 31, 2020, the statement of changes in net assets for each of the two years in the period ended January 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended January 31, 2020 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of January 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended January 31, 2020 and the financial highlights for each of the five years in the period ended January 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of January 31, 2020 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 16, 2020

We have served as the auditor of one or more investment companies in The Vanguard Group of Funds since 1975.

Special 2019 tax information (unaudited) for Vanguard Energy Fund

The fund distributed \$22,141,000 of qualified dividend income to shareholders during the fiscal year.

For corporate shareholders, 51.7% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

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The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 213 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. That information, as well as the Vanguard fund count, is as of the date on the cover of this fund report. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482. More information about the trustees is in the *Statement of Additional Information*, which can be obtained, without charge, by contacting Vanguard at 800-662-7447, or online at vanguard.com.

Interested Trustee¹

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chairman of the board (2019–present) of Vanguard and of each of the investment companies served by Vanguard; chief executive officer (2018–present) of Vanguard; chief executive officer, president, and trustee (2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (2018–present) of Vanguard Marketing Corporation. Chief investment officer (2013–2017), managing director (2002–2017), head of the Retail Investor Group (2006–2012), and chief information officer (2001–2006) of Vanguard. Chairman of the board (2011–2017) and trustee (2009–2017) of the Children's Hospital of Philadelphia; and trustee (2018–present) and vice chair (2019–present) of The Shipley School.

Independent Trustees

Emerson U. Fullwood

Born in 1948. Trustee since January 2008. Principal occupation(s) during the past five years and other experience: executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Former president of the Worldwide Channels Group, Latin America, and

Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. Executive in residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology. Director of SPX FLOW, Inc. (multi-industry manufacturing). Director of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, and Roberts Wesleyan College. Trustee of the University of Rochester.

Amy Gutmann

Born in 1949. Trustee since June 2006. Principal occupation(s) during the past five years and other experience: president (2004–present) of the University of Pennsylvania. Christopher H. Browne Distinguished Professor of Political Science, School of Arts and Sciences, and professor of communication, Annenberg School for Communication, with secondary faculty appointments in the Department of Philosophy, School of Arts and Sciences, and at the Graduate School of Education, University of Pennsylvania.

F. Joseph Loughrey

Born in 1949. Trustee since October 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2009) and vice chairman of the board (2008–2009) of Cummins Inc. (industrial machinery). Chairman of the board of Hillenbrand, Inc. (specialized consumer services) and the Lumina Foundation. Director of the V Foundation. Member of the advisory

¹ Mr. Buckley is considered an "interested person," as defined in the Investment Company Act of 1940, because he is an officer of the Vanguard funds.

council for the College of Arts and Letters and chair of the advisory board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

Born in 1953. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: senior vice president and chief financial officer (retired 2013) of IBM (information technology services). Fiduciary member of IBM's Retirement Plan Committee (2004–2013), senior vice president and general manager (2002–2004) of IBM Global Financing, vice president and controller (1998–2002) of IBM, and a variety of other prior management roles at IBM. Member of the Council on Chicago Booth.

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Member of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors) and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (2011–present) of The Guardian Life Insurance Company of America. President (2010–2019), chief operating officer (2010–2011), and executive vice president (2008–2010) of Individual Life and Disability of The Guardian Life Insurance Company of America. Member of the board of The Guardian Life Insurance Company of America, the American Council of Life Insurers, and the Economic Club of New York. Trustee of the Partnership for New York City (business leadership), Chief Executives for Corporate Purpose, NewYork-Presbyterian Hospital, Catalyst, and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

Born in 1952. Trustee since December 2004. Principal occupation(s) during the past five years and other experience: George Gund Professor of Finance and Banking, Emeritus at the Harvard Business School (retired 2011). Chief investment officer and co-managing partner of HighVista Strategies (private investment firm). Member of the board of advisors and the investment committee of the Museum of Fine Arts Boston. Member of the board (2018–present) of RIT Capital Partners (investment firm). Member of the investment committee of Partners Health Care System.

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Member of the board of directors (2012–2014) of Neighborhood Reinvestment Corporation. Director (2017–present) of i(x) Investments, LLC; director (2017–present) of Reserve Trust. Rubenstein Fellow (2017–present) of Duke University; trustee (2017–present) of Amherst College, and trustee (2019–present) of the Folger Shakespeare Library.

Peter F. Volanakis

Born in 1955. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). Chairman of the board of trustees of Colby-Sawyer College. Member of the board of Hypertherm Inc. (industrial cutting systems, software, and consumables).

Executive Officers

John Bendl

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2019–present) of each of the investment companies served by Vanguard. Chief accounting officer, treasurer, and controller of Vanguard (2017–present). Partner (2003–2016) at KPMG (audit, tax, and advisory services).

Glenn Booraem

Born in 1967. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (2017–present), treasurer (2015–2017), controller (2010–2015), and assistant controller (2001–2010) of each of the investment companies served by Vanguard.

Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG (audit, tax, and advisory services).

David Cermak

Born in 1960. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present) of each of the investment companies served by Vanguard. Managing director and head (2017–present) of Vanguard Investments Singapore. Managing director and head (2017–2019) of Vanguard Investments Hong Kong. Representative director and head (2014–2017) of Vanguard Investments Japan.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Finance director (2019–present), chief financial officer (2008–2019), and treasurer (1998–2008) of each of the investment companies served by Vanguard.

Peter Mahoney

Born in 1974. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Controller (2015–present) of each of the investment companies served by Vanguard. Head of International Fund Services (2008–2014) at Vanguard.

Anne E. Robinson

Born in 1970. Principal occupation(s) during the past five years and other experience: general counsel (2016–present) of Vanguard. Secretary (2016–present) of Vanguard and of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Managing director and general counsel of Global Cards and Consumer Services (2014–2016) at Citigroup. Counsel (2003–2014) at American Express.

Michael Rollings

Born in 1963. Principal occupation(s) during the past five years and other experience: finance director (2017–present) and treasurer (2017) of each of the investment companies served by Vanguard. Managing director (2016–present) of Vanguard. Chief financial officer (2016–present) of Vanguard. Director (2016–present) of Vanguard Marketing Corporation. Executive vice president and chief financial officer (2006–2016) of MassMutual Financial Group.

John E. Schadt

Born in 1972. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2019–present) of Vanguard and of each of the investment companies served by Vanguard. Assistant vice president (2019–present) of Vanguard Marketing Corporation.

Vanguard Senior Management Team

Joseph Brennan
Mortimer J. Buckley
Gregory Davis
John James
Martha G. King
John T. Marcante

Chris D. McIsaac
James M. Norris
Thomas M. Rampulla
Karin A. Risi
Anne E. Robinson
Michael Rollings



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This material may be used in conjunction with the offering of shares of any Vanguard fund only if preceded or accompanied by the fund's current prospectus.

All comparative mutual fund data are from Morningstar, Inc., unless otherwise noted.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting vanguard.com/proxyreporting or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, www.sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either vanguard.com/proxyreporting or www.sec.gov.

You can review information about your fund on the SEC's website, and you can receive copies of this information, for a fee, by sending a request via email addressed to publicinfo@sec.gov.

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