

**Semiannual Report** | July 31, 2023

# Vanguard Real Estate Index Funds

Vanguard Real Estate Index Fund

Vanguard Real Estate II Index Fund

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# 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 Real Estate Index Fund, in addition to its own expenses, bears its proportionate share of the costs for the Subsidiary. These indirect expenses make up the acquired fund fees and expenses, also expressed as a percentage of average net assets. 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. For the Real Estate Index Fund, the costs were calculated using the expense ratio and the acquired fund fees and expenses.

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 July 31, 2023

	Beginning Account Value 1/31/2023	Ending Account Value 7/31/2023	Expenses Paid During Period
<b>Based on Actual Fund Return</b>			
Real Estate Index Fund			
Investor Shares	\$1,000.00	\$ 955.80	\$1.31
ETF Shares	1,000.00	956.00	0.63
Admiral™ Shares	1,000.00	956.40	0.63
Institutional Shares	1,000.00	956.60	0.53
Real Estate II Index Fund	\$1,000.00	\$ 956.90	\$0.39
<b>Based on Hypothetical 5% Yearly Return</b>			
Real Estate Index Fund			
Investor Shares	\$1,000.00	\$1,023.46	\$1.35
ETF Shares	1,000.00	1,024.15	0.65
Admiral Shares	1,000.00	1,024.15	0.65
Institutional Shares	1,000.00	1,024.25	0.55
Real Estate II Index Fund	\$1,000.00	\$1,024.40	\$0.40

The calculations for the Real Estate Index Fund are based on expenses incurred combined with acquired fund fees and expenses for the most recent six-month period. The fund's combined, annualized six-month expense figures for that period are: 0.27% for Investor Shares, 0.13% for ETF Shares, 0.13% for Admiral Shares, and 0.11% for Institutional Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense figure 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 (181/365).

The calculations for the Real Estate II Index Fund are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratio for that period is 0.08%. 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 (181/365).

# Real Estate Index Fund

## Fund Allocation

As of July 31, 2023

Data Center REITs	8.3%
Diversified Real Estate Activities	0.2
Diversified REITs	2.1
Health Care REITs	8.1
Hotel & Resort REITs	2.7
Industrial REITs	12.7
Multi-Family Residential REITs	9.2
Office REITs	4.7
Other Specialized REITs	5.9
Real Estate Development	0.3
Real Estate Operating Companies	0.3
Real Estate Services	6.9
Retail REITs	12.6
Self-Storage REITs	6.6
Single-Family Residential REITs	4.7
Telecom Tower REITs	12.1
Timber REITs	2.6

The table reflects the fund's investments, except for short-term investments and derivatives. 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 fund may invest in derivatives (such as futures and swap contracts) for various reasons, including, but not limited to, attempting to remain fully invested and tracking its target index as closely as possible.

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.

# Financial Statements (unaudited)

## Schedule of Investments

As of July 31, 2023

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The fund's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Equity Real Estate Investment Trusts (REITs) (92.6%)</b>					
<b>Data Center REITs (7.2%)</b>					
Equinix Inc.	3,942,576	3,193,171			
Digital Realty Trust Inc.	11,656,281	1,452,606			
		<b>4,645,777</b>			
<b>Diversified REITs (1.8%)</b>					
WP Carey Inc.	9,017,490	608,951	Sabra Health Care REIT Inc.	9,743,190	126,564
Essential Properties Realty Trust Inc.	6,274,690	154,044	National Health Investors Inc.	1,828,463	100,401
Broadstone Net Lease Inc.	7,891,758	128,636	CareTrust REIT Inc.	4,196,942	87,254
Alexander & Baldwin Inc.	3,060,193	58,756	LTC Properties Inc.	1,744,302	58,539
Empire State Realty Trust Inc.			Community Healthcare Trust Inc.	1,043,689	36,780
Class A	5,746,815	51,434	Universal Health Realty Income Trust	553,369	26,412
American Assets Trust Inc.	2,174,837	48,933	Global Medical REIT Inc.	2,629,583	26,033
<sup>1</sup> Global Net Lease Inc.	4,375,006	46,769	Diversified Healthcare Trust	10,120,172	21,151
Armada Hoffer Properties Inc.	2,854,748	35,456			<b>4,493,578</b>
Gladstone Commercial Corp.	1,705,890	22,688	<b>Hotel &amp; Resort REITs (2.4%)</b>		
NexPoint Diversified Real Estate Trust	1,331,846	15,569	Host Hotels & Resorts Inc.	30,078,602	553,446
One Liberty Properties Inc.	716,078	14,629	Ryman Hospitality Properties Inc.	2,212,844	210,862
		<b>1,185,865</b>	Apple Hospitality REIT Inc.	9,185,969	142,382
<b>Health Care REITs (7.0%)</b>			Park Hotels & Resorts Inc.	9,352,889	127,480
Welltower Inc.	20,173,802	1,657,278	Sunstone Hotel Investors Inc.	8,342,160	85,007
Ventas Inc.	16,867,251	818,399	Pebblebrook Hotel Trust	5,269,087	81,407
Healthpeak Properties Inc.	23,061,148	503,425	DiamondRock Hospitality Co.	8,895,336	75,610
Omega Healthcare Investors Inc.	9,875,701	315,035	RLJ Lodging Trust	6,816,044	70,205
<sup>1</sup> Healthcare Realty Trust Inc.			Xenia Hotels & Resorts Inc.	4,686,682	59,521
Class A	16,052,884	313,513	Service Properties Trust	6,974,746	59,216
<sup>1</sup> Medical Properties Trust Inc.	25,226,304	254,533	Summit Hotel Properties Inc.	4,514,474	29,073
Physicians Realty Trust	10,058,406	148,261	Chatham Lodging Trust	2,061,410	19,790
					<b>1,513,999</b>
			<b>Industrial REITs (11.0%)</b>		
			Prologis Inc.	38,932,811	4,856,868
			Rexford Industrial Realty Inc.	8,464,510	466,310
			Americold Realty Trust Inc.	11,387,047	369,168
			EastGroup Properties Inc.	1,865,210	330,478

Real Estate Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
First Industrial Realty Trust Inc.	5,574,611	288,207	Paramount Group Inc.	6,862,147	35,958
STAG Industrial Inc.	7,563,346	274,550	Hudson Pacific Properties Inc.	5,355,707	31,438
Terreno Realty Corp.	3,490,187	207,108	Office Properties Income Trust	2,049,098	15,778
LXP Industrial Trust	12,332,576	124,189	Orion Office REIT Inc.	2,264,876	14,722
Innovative Industrial Properties Inc.	1,180,592	93,538	City Office REIT Inc.	1,679,263	9,185
Plymouth Industrial REIT Inc.	1,631,043	37,139	Franklin Street Properties Corp.	3,909,501	6,568
Industrial Logistics Properties Trust	2,753,579	11,675	*.2 New York REIT Liquidating LLC	1,208	9
		<b>7,059,230</b>			<b>2,629,023</b>
<b>Multi-Family Residential REITs (8.0%)</b>			<b>Other (12.6%)<sup>3</sup></b>		
AvalonBay Communities Inc.	5,902,869	1,113,576	<sup>4,5</sup> Vanguard Real Estate II Index Fund	395,983,094	8,105,774
Equity Residential	14,576,104	961,148	<b>Other Specialized REITs (5.1%)</b>		
Mid-America Apartment Communities Inc.	4,916,146	735,751	VICI Properties Inc. Class A	36,936,653	1,162,766
Essex Property Trust Inc.	2,717,872	661,938	Iron Mountain Inc.	12,293,438	754,817
UDR Inc.	13,183,660	538,948	Gaming & Leisure Properties Inc.	11,060,685	524,940
Camden Property Trust	4,498,636	490,756	Lamar Advertising Co. Class A	3,686,910	363,898
Apartment Income REIT Corp.			EPR Properties	3,174,109	141,692
Class A	6,287,346	217,165	Outfront Media Inc.	6,262,717	96,822
Independence Realty Trust Inc.	9,460,758	161,211	Four Corners Property Trust Inc.	3,631,831	95,517
Elme Communities	3,697,367	60,082	Uniti Group Inc.	10,052,886	56,095
* Veris Residential Inc.	3,073,847	57,420	Safehold Inc.	1,615,634	39,955
Apartment Investment & Management Co. Class A	5,685,970	47,364	Gladstone Land Corp.	1,433,103	23,990
NexPoint Residential Trust Inc.	972,958	40,436			<b>3,260,492</b>
Centerspace	633,038	39,331	<b>Retail REITs (10.9%)</b>		
		<b>5,125,126</b>	Realty Income Corp.	27,847,385	1,697,855
<b>Office REITs (4.1%)</b>			Simon Property Group Inc.	13,375,136	1,666,542
Alexandria Real Estate Equities Inc.	6,929,166	870,857	Kimco Realty Corp.	26,134,145	529,478
Boston Properties Inc.	6,280,981	418,502	Regency Centers Corp.	6,499,869	425,936
Kilroy Realty Corp.	4,689,655	167,421	NNN REIT Inc.	7,676,979	327,653
Cousins Properties Inc.	6,393,921	156,203	Federal Realty Investment Trust	3,093,291	314,031
Vornado Realty Trust	6,874,326	154,535	Brixmor Property Group Inc.	12,671,459	288,149
Corporate Office Properties Trust	4,742,660	123,309	Agree Realty Corp.	3,805,982	246,551
Highwoods Properties Inc.	4,448,091	112,403	Spirit Realty Capital Inc.	5,958,860	240,321
Douglas Emmett Inc.	7,407,684	108,893	Kite Realty Group Trust	9,246,111	211,551
<sup>1</sup> SL Green Realty Corp.	2,714,642	102,369	<sup>1</sup> Phillips Edison & Co. Inc.	4,943,857	174,568
Equity Commonwealth	4,692,954	91,935	Macerich Co.	9,060,700	115,524
JBG SMITH Properties	4,567,909	76,421	SITE Centers Corp.	7,937,438	111,521
Easterly Government Properties Inc.			<sup>1</sup> Tanger Factory Outlet Centers Inc.	4,438,122	103,896
Class A	3,877,384	57,230	Urban Edge Properties	4,958,062	84,337
Piedmont Office Realty Trust Inc.			Retail Opportunity Investments Corp.	5,272,156	77,659
Class A	5,209,491	38,759	InvenTrust Properties Corp.	2,844,927	69,246
Brandywine Realty Trust	7,233,191	36,528	Acadia Realty Trust	4,012,731	63,040

# Real Estate Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Getty Realty Corp.	1,873,541	60,553	<b>Real Estate Development (0.2%)</b>		
NETSTREIT Corp.	2,454,233	43,906	* Howard Hughes Corp.	1,475,666	124,591
Necessity Retail REIT Inc. Class A	5,635,384	40,011	* Forestar Group Inc.	840,551	24,779
RPT Realty	3,648,737	39,662			<b>149,370</b>
Urstadt Biddle Properties Inc. Class A	1,205,129	27,332	<b>Real Estate Operating Companies (0.3%)</b>		
Saul Centers Inc.	555,560	21,417	DigitalBridge Group Inc.	6,816,877	109,206
Alexander's Inc.	97,127	18,781	Kennedy-Wilson Holdings Inc.	4,071,692	67,183
CBL & Associates Properties Inc.	473,776	10,314	*.1 Seritage Growth Properties Class A	1,535,324	14,417
Urstadt Biddle Properties Inc.	16,032	360	*.1 WeWork Inc. Class A	6,038,835	1,307
*.2 Spirit MTA REIT	2,071,263	—			<b>192,113</b>
		<b>7,010,194</b>	<b>Real Estate Services (6.0%)</b>		
<b>Self-Storage REITs (5.7%)</b>			* CoStar Group Inc.	17,149,630	1,440,054
Public Storage	6,670,305	1,879,358	* CBRE Group Inc. Class A	13,103,483	1,091,651
Extra Space Storage Inc.	8,902,683	1,242,548	* Zillow Group Inc. Class C	6,497,236	351,890
CubeSmart	9,507,704	412,254	* Jones Lang LaSalle Inc.	2,007,227	334,304
National Storage Affiliates Trust	3,537,556	119,534	* Zillow Group Inc. Class A	2,400,101	127,733
		<b>3,653,694</b>	* Opendoor Technologies Inc.	21,679,831	110,784
<b>Single-Family Residential REITs (4.1%)</b>			<sup>1</sup> eXp World Holdings Inc.	3,143,060	78,388
Invitation Homes Inc.	25,796,679	915,782	* Cushman & Wakefield plc	6,698,796	65,849
Sun Communities Inc.	5,245,281	683,460	*.1 Redfin Corp.	4,276,913	64,068
Equity LifeStyle Properties Inc.	7,456,722	530,770	* Compass Inc. Class A	12,060,878	50,535
American Homes 4 Rent Class A	12,652,694	474,223	Newmark Group Inc. Class A	6,099,416	42,208
* UMH Properties Inc.	2,401,043	39,977	Marcus & Millichap Inc.	1,074,172	39,401
* Bluerock Homes Trust Inc.	149	2	* Anywhere Real Estate Inc.	4,182,102	35,046
		<b>2,644,214</b>	RE/MAX Holdings Inc. Class A	762,497	15,029
<b>Telecom Tower REITs (10.5%)</b>			Douglas Elliman Inc.	3,158,515	6,980
American Tower Corp.	19,648,163	3,739,242	*.1 Offerpad Solutions Inc.	228,257	2,703
Crown Castle Inc.	18,283,746	1,979,947	*.1 Doma Holdings Inc.	200,189	1,656
SBA Communications Corp. Class A	4,566,956	999,935			<b>3,858,279</b>
		<b>6,719,124</b>	<b>Total Real Estate Management &amp; Development (Cost \$5,060,270)</b>		
<b>Timber REITs (2.2%)</b>					<b>4,308,961</b>
Weyerhaeuser Co.	30,899,171	1,052,426			
Rayonier Inc.	5,905,320	195,584			
PotlatchDeltic Corp.	3,370,203	180,744			
		<b>1,428,754</b>			
<b>Total Equity Real Estate Investment Trusts (REITs) (Cost \$58,933,754)</b>					
		<b>59,474,844</b>			
<b>Real Estate Management &amp; Development (6.7%)</b>					
<b>Diversified Real Estate Activities (0.2%)</b>					
St. Joe Co.	1,476,299	93,715			
RMR Group Inc. Class A	656,652	15,484			
		<b>109,199</b>			



Real Estate Index Fund

	Shares	Market Value* (\$000)
<b>Temporary Cash Investments (1.2%)</b>		
<b>Money Market Fund (1.2%)</b>		
6,7 Vanguard Market Liquidity Fund, 5.274% (Cost \$748,640)	7,488,214	748,672
<b>Total Investments (100.5%)</b>		
<b>(Cost \$64,742,664)</b>		<b>64,532,477</b>
<b>Other Assets and Liabilities—Net (-0.5%)</b>		
		<b>(300,258)</b>
<b>Net Assets (100%)</b>		
		<b>64,232,219</b>

Cost is in \$000.

• See Note A in Notes to Financial Statements.

\* Non-income-producing security.

1 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$302,594,000.

2 Security value determined using significant unobservable inputs.

3 "Other" represents securities that are not classified by the fund's benchmark index.

4 Considered an affiliated company of the fund as the issuer is another member of The Vanguard Group.

5 Represents a wholly owned subsidiary of the fund. See accompanying financial statements for Vanguard Real Estate II Index Fund's Schedule of Investments.

6 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

7 Collateral of \$318,355,000 was received for securities on loan. REIT—Real Estate Investment Trust.

## Derivative Financial Instruments Outstanding as of Period End

## Over-the-Counter Total Return Swaps

Reference Entity	Termination Date	Counterparty	Notional Amount (\$000)	Floating Interest Rate Received (Paid) <sup>1</sup> (%)	Value and Unrealized Appreciation (\$000)	Value and Unrealized (Depreciation) (\$000)
American Homes 4 Rent Class A	8/31/23	BANA	37,223	(5.272)	1,979	—
Digital Realty Trust Inc.	8/31/23	BANA	42,701	(5.272)	3,857	—
Digital Realty Trust Inc.	1/31/24	GSI	29,553	(5.301)	1,547	—
Equity Residential	8/31/23	BANA	39,582	(5.272)	218	—
Redfin Corp.	1/31/24	GSI	5,796	(5.251)	—	(564)
Simon Property Group Inc.	1/31/24	GSI	48,660	(5.301)	1,089	—
VICI Properties Inc. Class A	8/31/23	BANA	169,722	(5.672)	1,629	—
Welltower Inc.	8/31/23	BANA	60,668	(5.272)	697	—
					11,016	(564)

<sup>1</sup> Based on USD Overnight Bank Funding Rate as of the most recent reset date. Floating interest payment received/paid monthly.

BANA—Bank of America, N.A.

GSI—Goldman Sachs International.

At July 31, 2023, the counterparties had deposited in segregated accounts securities with a value of \$9,080,000 in connection with open over-the-counter swap contracts.

# Statement of Assets and Liabilities

As of July 31, 2023

((\$000s, except shares, footnotes, and per-share amounts))	Amount
<b>Assets</b>	
Investments in Securities, at Value <sup>1</sup>	
Unaffiliated Issuers (Cost \$56,454,915)	55,678,031
Affiliated Issuers (Cost \$748,640)	748,672
Vanguard Real Estate II Index Fund (Cost \$7,539,109)	8,105,774
Total Investments in Securities	64,532,477
Investment in Vanguard	1,834
Cash	7,946
Receivables for Accrued Income	31,640
Receivables for Capital Shares Issued	21,660
Unrealized Appreciation—Over-the-Counter Swap Contracts	11,016
<b>Total Assets</b>	<b>64,606,573</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	21,487
Collateral for Securities on Loan	318,355
Payables for Capital Shares Redeemed	30,788
Payables to Vanguard	3,160
Unrealized Depreciation—Over-the-Counter Swap Contracts	564
<b>Total Liabilities</b>	<b>374,354</b>
<b>Net Assets</b>	<b>64,232,219</b>

<sup>1</sup> Includes \$302,594,000 of securities on loan.

## Statement of Assets and Liabilities (continued)

## At July 31, 2023, net assets consisted of:

(\$000s, except shares, footnotes, and per-share amounts)	Amount
Paid-in Capital	67,350,617
Total Distributable Earnings (Loss)	(3,118,398)
<b>Net Assets</b>	<b>64,232,219</b>

## Investor Shares—Net Assets

Applicable to 3,427,358 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	97,115
<b>Net Asset Value Per Share—Investor Shares</b>	<b>\$28.34</b>

## ETF Shares—Net Assets

Applicable to 394,822,280 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	33,663,918
<b>Net Asset Value Per Share—ETF Shares</b>	<b>\$85.26</b>

## Admiral Shares—Net Assets

Applicable to 169,437,432 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	20,474,793
<b>Net Asset Value Per Share—Admiral Shares</b>	<b>\$120.84</b>

## Institutional Shares—Net Assets

Applicable to 534,490,081 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	9,996,393
<b>Net Asset Value Per Share—Institutional Shares</b>	<b>\$18.70</b>

# Statement of Operations

Six Months Ended  
July 31, 2023

(\$000)

<b>Investment Income</b>	
<b>Income</b>	
Dividends—Unaffiliated Issuers	851,077
Dividends—Vanguard Real Estate II Index Fund	161,605
Interest—Affiliated Issuers	8,377
Securities Lending—Net	760
Total Income	1,021,819
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	674
Management and Administrative—Investor Shares	120
Management and Administrative—ETF Shares	16,838
Management and Administrative—Admiral Shares	10,574
Management and Administrative—Institutional Shares	4,250
Marketing and Distribution—Investor Shares	4
Marketing and Distribution—ETF Shares	838
Marketing and Distribution—Admiral Shares	552
Marketing and Distribution—Institutional Shares	180
Custodian Fees	44
Shareholders' Reports—Investor Shares	—
Shareholders' Reports—ETF Shares	655
Shareholders' Reports—Admiral Shares	179
Shareholders' Reports—Institutional Shares	73
Trustees' Fees and Expenses	17
Other Expenses	30
Total Expenses	35,028
<b>Net Investment Income</b>	<b>986,791</b>
<b>Realized Net Gain (Loss)</b>	
Capital Gain Distributions Received—Unaffiliated Issuers	168,393
Capital Gain Distributions Received—Vanguard Real Estate II Index Fund	—
Investment Securities Sold—Unaffiliated Issuers <sup>1</sup>	(94,554)
Investment Securities Sold—Affiliated Issuers	24
Investment Securities Sold—Vanguard Real Estate II Index Fund	—
Futures Contracts	99
Swap Contracts	21,755
<b>Realized Net Gain (Loss)</b>	<b>95,717</b>

Statement of Operations (continued)

	Six Months Ended July 31, 2023
	(\$000)
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities—Unaffiliated Issuers	(3,716,698)
Investment Securities—Affiliated Issuers	(46)
Investment Securities—Vanguard Real Estate II Index Fund	(527,018)
Swap Contracts	(20,545)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(4,264,307)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(3,181,799)</b>

1 Includes \$874,579,000 of net gain (loss) resulting from in-kind redemptions.

# Statement of Changes in Net Assets

	Six Months Ended July 31, 2023	Year Ended January 31, 2023
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	986,791	1,757,360
Realized Net Gain (Loss)	95,717	2,948,495
Change in Unrealized Appreciation (Depreciation)	(4,264,307)	(14,507,077)
Net Increase (Decrease) in Net Assets Resulting from Operations	(3,181,799)	(9,801,222)
<b>Distributions</b>		
Net Investment Income and/or Realized Capital Gains		
Investor Shares	(2,008)	(3,184)
ETF Shares	(663,421)	(893,338)
Admiral Shares	(408,596)	(518,210)
Institutional Shares	(199,226)	(253,055)
Return of Capital		
Investor Shares	—	(1,590)
ETF Shares	—	(446,081)
Admiral Shares	—	(258,764)
Institutional Shares	—	(126,361)
Total Distributions	(1,273,251)	(2,500,583)
<b>Capital Share Transactions</b>		
Investor Shares	(21,777)	(41,427)
ETF Shares	(767,399)	(3,046,898)
Admiral Shares	(237,649)	34,532
Institutional Shares	41,028	306,763
Net Increase (Decrease) from Capital Share Transactions	(985,797)	(2,747,030)
Total Increase (Decrease)	(5,440,847)	(15,048,835)
<b>Net Assets</b>		
Beginning of Period	69,673,066	84,721,901
End of Period	64,232,219	69,673,066

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

# Financial Highlights

## Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2023	Year Ended January 31,				
	2023	2022	2021	2020	2019	
<b>Net Asset Value, Beginning of Period</b>	<b>\$30.26</b>	<b>\$35.37</b>	<b>\$28.23</b>	<b>\$31.21</b>	<b>\$27.69</b>	<b>\$26.40</b>
<b>Investment Operations</b>						
Net Investment Income <sup>1</sup>	.397	.684	.602	.586	.719	.787
Net Realized and Unrealized Gain (Loss) on Investments	(1.774)	(4.766)	7.475	(2.498)	3.801	1.639
Total from Investment Operations	(1.377)	(4.082)	8.077	(1.912)	4.520	2.426
<b>Distributions</b>						
Dividends from Net Investment Income	(.543)	(.686)	(.620)	(.624)	(.752)	(.851)
Distributions from Realized Capital Gains	—	—	—	—	—	—
Return of Capital	—	(.342)	(.317)	(.444)	(.248)	(.285)
Total Distributions	(.543)	(1.028)	(.937)	(1.068)	(1.000)	(1.136)
<b>Net Asset Value, End of Period</b>	<b>\$28.34</b>	<b>\$30.26</b>	<b>\$35.37</b>	<b>\$28.23</b>	<b>\$31.21</b>	<b>\$27.69</b>
<b>Total Return<sup>2</sup></b>	<b>-4.42%</b>	<b>-11.39%</b>	<b>28.73%</b>	<b>-5.88%</b>	<b>16.59%</b>	<b>9.53%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$97	\$127	\$196	\$188	\$243	\$1,871
Ratio of Total Expenses to Average Net Assets	0.26%	0.26% <sup>3</sup>	0.26%	0.26%	0.26%	0.25%
Acquired Fund Fees and Expenses <sup>4</sup>	0.01%	—	—	—	—	—
Ratio of Net Investment Income to Average Net Assets	2.78%	2.18%	1.77%	2.18%	2.48%	3.02%
Portfolio Turnover Rate <sup>5</sup>	6%	7%	7%	8%	6%	24%

The expense ratio, acquired fund fees and expenses, and net investment income ratio for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 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.

3 The ratio of expenses to average net assets for the period net of reduction from custody fee offset arrangements was 0.25%.

4 For the fiscal year ended January 31, 2023, and for each prior period, the acquired fund fees and expenses were less than 0.01%.

5 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.



# Financial Highlights

## ETF Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2023	Year Ended January 31,				
		2023	2022	2021	2020	2019
<b>Net Asset Value, Beginning of Period</b>	<b>\$91.06</b>	<b>\$106.44</b>	<b>\$84.96</b>	<b>\$93.93</b>	<b>\$83.36</b>	<b>\$79.47</b>
<b>Investment Operations</b>						
Net Investment Income <sup>1</sup>	1.299	2.240	1.960	1.889	2.335	2.487
Net Realized and Unrealized Gain (Loss) on Investments	(5.401)	(14.394)	22.486	(7.525)	11.379	4.934
Total from Investment Operations	(4.102)	(12.154)	24.446	(5.636)	13.714	7.421
<b>Distributions</b>						
Dividends from Net Investment Income	(1.698)	(2.152)	(1.943)	(1.947)	(2.364)	(2.646)
Distributions from Realized Capital Gains	—	—	—	—	—	—
Return of Capital	—	(1.074)	(1.023)	(1.387)	(.780)	(.885)
Total Distributions	(1.698)	(3.226)	(2.966)	(3.334)	(3.144)	(3.531)
<b>Net Asset Value, End of Period</b>	<b>\$85.26</b>	<b>\$91.06</b>	<b>\$106.44</b>	<b>\$84.96</b>	<b>\$93.93</b>	<b>\$83.36</b>
<b>Total Return</b>	<b>-4.40%</b>	<b>-11.25%</b>	<b>28.88%</b>	<b>-5.80%</b>	<b>16.70%</b>	<b>9.70%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$33,664	\$36,825	\$46,673	\$32,064	\$37,682	\$30,857
Ratio of Total Expenses to Average Net Assets	0.12%	0.12% <sup>2</sup>	0.12%	0.12%	0.12%	0.12%
Acquired Fund Fees and Expenses <sup>3</sup>	0.01%	—	—	—	—	—
Ratio of Net Investment Income to Average Net Assets	3.04%	2.38%	1.90%	2.33%	2.60%	3.15%
Portfolio Turnover Rate <sup>4</sup>	6%	7%	7%	8%	6%	24%

The expense ratio, acquired fund fees and expenses, and net investment income ratio for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 The ratio of expenses to average net assets for the period net of reduction from custody fee offset arrangements was 0.12%.

3 For the fiscal year ended January 31, 2023, and for each prior period, the acquired fund fees and expenses were less than 0.01%.

4 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

# Financial Highlights

## Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2023	Year Ended January 31,				
		2023	2022	2021	2020	2019
<b>Net Asset Value, Beginning of Period</b>	<b>\$129.05</b>	<b>\$150.85</b>	<b>\$120.40</b>	<b>\$133.12</b>	<b>\$118.14</b>	<b>\$112.63</b>
<b>Investment Operations</b>						
Net Investment Income <sup>1</sup>	1.866	3.201	2.761	2.677	3.315	3.507
Net Realized and Unrealized Gain (Loss) on Investments	(7.669)	(20.428)	31.890	(10.672)	16.121	7.008
Total from Investment Operations	(5.803)	(17.227)	34.651	(7.995)	19.436	10.515
<b>Distributions</b>						
Dividends from Net Investment Income	(2.407)	(3.050)	(2.770)	(2.759)	(3.350)	(3.751)
Distributions from Realized Capital Gains	—	—	—	—	—	—
Return of Capital	—	(1.523)	(1.431)	(1.966)	(1.106)	(1.254)
Total Distributions	(2.407)	(4.573)	(4.201)	(4.725)	(4.456)	(5.005)
<b>Net Asset Value, End of Period</b>	<b>\$120.84</b>	<b>\$129.05</b>	<b>\$150.85</b>	<b>\$120.40</b>	<b>\$133.12</b>	<b>\$118.14</b>
<b>Total Return<sup>2</sup></b>	<b>-4.36%</b>	<b>-11.26%</b>	<b>28.91%</b>	<b>-5.74%</b>	<b>16.73%</b>	<b>9.69%</b>

## Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$20,475	\$22,110	\$25,764	\$19,702	\$23,274	\$18,223
Ratio of Total Expenses to Average Net Assets	0.12%	0.12% <sup>3</sup>	0.12%	0.12%	0.12%	0.11%
Acquired Fund Fees and Expenses <sup>4</sup>	0.01%	—	—	—	—	—
Ratio of Net Investment Income to Average Net Assets	3.09%	2.41%	1.90%	2.33%	2.60%	3.16%
Portfolio Turnover Rate <sup>5</sup>	6%	7%	7%	8%	6%	24%

The expense ratio, acquired fund fees and expenses, and net investment income ratio for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 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.

3 The ratio of expenses to average net assets for the period net of reduction from custody fee offset arrangements was 0.12%.

4 For the fiscal year ended January 31, 2023, and for each prior period, the acquired fund fees and expenses were less than 0.01%.

5 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

# Financial Highlights

## Institutional Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2023	Year Ended January 31,				
	2023	2022	2021	2020	2019	
<b>Net Asset Value, Beginning of Period</b>	<b>\$19.97</b>	<b>\$23.35</b>	<b>\$18.64</b>	<b>\$20.60</b>	<b>\$18.28</b>	<b>\$17.43</b>
<b>Investment Operations</b>						
Net Investment Income <sup>1</sup>	.294	.500	.432	.421	.518	.543
Net Realized and Unrealized Gain (Loss) on Investments	(1.190)	(3.168)	4.933	(1.646)	2.496	1.085
Total from Investment Operations	(.896)	(2.668)	5.365	(1.225)	3.014	1.628
<b>Distributions</b>						
Dividends from Net Investment Income	(.374)	(.475)	(.432)	(.429)	(.522)	(.583)
Distributions from Realized Capital Gains	—	—	—	—	—	—
Return of Capital	—	(.237)	(.223)	(.306)	(.172)	(.195)
Total Distributions	(.374)	(.712)	(.655)	(.735)	(.694)	(.778)
<b>Net Asset Value, End of Period</b>	<b>\$18.70</b>	<b>\$19.97</b>	<b>\$23.35</b>	<b>\$18.64</b>	<b>\$20.60</b>	<b>\$18.28</b>
<b>Total Return</b>	<b>-4.34%</b>	<b>-11.27%</b>	<b>28.91%</b>	<b>-5.68%</b>	<b>16.77%</b>	<b>9.70%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$9,996	\$10,610	\$12,089	\$9,478	\$10,027	\$8,206
Ratio of Total Expenses to Average Net Assets	0.10%	0.10% <sup>2</sup>	0.10%	0.10%	0.10%	0.09%
Acquired Fund Fees and Expenses <sup>3</sup>	0.01%	—	—	—	—	—
Ratio of Net Investment Income to Average Net Assets	3.14%	2.43%	1.92%	2.37%	2.63%	3.18%
Portfolio Turnover Rate <sup>4</sup>	6%	7%	7%	8%	6%	24%

The expense ratio, acquired fund fees and expenses, and net investment income ratio for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 The ratio of expenses to average net assets for the period net of reduction from custody fee offset arrangements was 0.10%.

3 For the fiscal year ended January 31, 2023, and for each prior period, the acquired fund fees and expenses were less than 0.01%.

4 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares, including ETF Creation Units.

## Notes to Financial Statements

Vanguard Real Estate Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund offers four classes of shares: Investor Shares, ETF Shares, Admiral Shares, and Institutional Shares. Each of the share classes has different eligibility and minimum purchase requirements, and is designed for different types of investors. ETF Shares are listed for trading on NYSE Arca; they can be purchased and sold through a broker.

As a part of its principal investment strategy, the fund attempts to replicate its benchmark index by investing all, or substantially all, of its assets—either directly or indirectly through a wholly owned subsidiary—in the stocks that make up the index. Vanguard Real Estate II Index Fund (“the Subsidiary”) is the wholly owned subsidiary in which the fund has invested a portion of its assets. Expenses of the Subsidiary are reflected in the Acquired Fund Fees and Expenses in the Financial Highlights. For additional financial information about the Subsidiary, refer to the accompanying financial statements.

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 by methods deemed by the valuation designee to represent fair value and subject to oversight by the board of trustees. Investments in affiliated Vanguard funds 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. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The fund may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. 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 securities pledged as initial margin for open contracts are noted in the Schedule of Investments.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Assets and Liabilities. Fluctuations in the value of the contracts are recorded in the Statement of Assets and Liabilities 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 gains (losses) on futures contracts.

During the six months ended July 31, 2023, the fund's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period. The fund had no open futures contracts at July 31, 2023.

3. Swap Contracts: The fund has entered into equity swap contracts to earn the total return on selected reference stocks or indexes in the fund's target index. Under the terms of the swaps, the fund receives the total return on the referenced stock (i.e., receiving the increase or paying the decrease in value of the selected reference stock and receiving the equivalent of any dividends in respect of the selected referenced stock) over a specified period of time, applied to a notional amount that represents the value of a designated number of shares of the selected reference stock at the beginning of the equity swap contract. The fund also pays a floating rate that is based on short-term interest rates, applied to the notional amount. At the same time, the fund generally invests an amount approximating the notional amount of the swap in high-quality temporary cash investments.

A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the fund. The fund's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The fund mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. In the event of a counterparty's default (including bankruptcy), the fund may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the fund's net assets decline below a certain level, triggering a payment by the fund if the fund is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the fund has pledged. Any securities pledged as collateral for open contracts are noted in the Schedule of Investments. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

The notional amounts of swap contracts are not recorded in the Statement of Assets and Liabilities. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until periodic payments are made or the termination of the swap, at which time realized gain (loss) is recorded.

During the six months ended July 31, 2023, the fund's average amounts of investments in total return swaps represented 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute virtually all of its taxable income. The fund's tax returns are open to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. Management has analyzed the fund's tax positions taken for all open federal and state income tax years, and has concluded that no provision for income tax is required in the fund's financial statements.
5. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date. The portion of distributions that exceed a fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital. Distributions are determined on a tax basis at the fiscal year-end and may differ from net investment income and realized capital gains for financial reporting purposes.
6. **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 Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Collateral investments in Vanguard Market Liquidity Fund are subject to market appreciation or depreciation. 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.
7. **Credit Facilities and Interfund Lending Program:** 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 and an uncommitted credit facility provided by Vanguard. Both facilities may be renewed annually. Each fund is individually liable for its borrowings, if any, under the credit facilities. Borrowings may be utilized for temporary or emergency purposes and are subject to the fund's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed amount of the facility, which 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 either facility bear interest at an agreed-upon spread plus the higher of the federal funds effective rate, the overnight bank funding rate, or the Daily Simple Secured Overnight Financing Rate inclusive of an additional agreed-upon spread. However, borrowings under the uncommitted credit facility may bear interest based upon an alternate rate agreed to by the fund and Vanguard.

In accordance with an exemptive order (the “Order”) from the SEC, the fund may participate in a joint lending and borrowing program that allows registered open-end Vanguard funds to borrow money from and lend money to each other for temporary or emergency purposes (the “Interfund Lending Program”), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the fund’s investment objective and investment policies. Interfund loans and borrowings normally extend overnight but can have a maximum duration of seven days. Loans may be called on one business day’s notice. The interest rate to be charged is governed by the conditions of the Order and internal procedures adopted by the board of trustees. The board of trustees is responsible for overseeing the Interfund Lending Program.

For the six months ended July 31, 2023, the fund did not utilize the credit facilities or the Interfund Lending Program.

8. Other: Distributions received from investment securities are recorded on the ex-dividend date. Non-cash dividends included in income, if any, are recorded at the fair value of the securities received. Each investment security reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the REITs, and management’s estimates of such amounts for REIT distributions for which actual information has not been reported. Income, capital gain, and return of capital distributions received from affiliated Vanguard funds are recorded on 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.

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. 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 and 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 July 31, 2023, the fund had contributed to Vanguard capital in the amount of \$1,834,000, representing less than 0.01% of the fund’s net assets and 0.73% of Vanguard’s capital received pursuant to the FSA. The fund’s trustees and officers are also directors and employees, respectively, of Vanguard.

C. Various inputs may be used to determine the value of the fund's investments and derivatives. 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 and derivatives valued with significant unobservable inputs are noted on the Schedule of Investments.

The following table summarizes the market value of the fund's investments and derivatives as of July 31, 2023, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Investments</b>				
<b>Assets</b>				
Common Stocks	63,783,796	—	9	63,783,805
Temporary Cash Investments	748,672	—	—	748,672
Total	64,532,468	—	9	64,532,477
<b>Derivative Financial Instruments</b>				
<b>Assets</b>				
Swap Contracts	—	11,016	—	11,016
<b>Liabilities</b>				
Swap Contracts	—	564	—	564

D. As of July 31, 2023, 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	65,047,486
Gross Unrealized Appreciation	8,039,695
Gross Unrealized Depreciation	(8,544,252)
Net Unrealized Appreciation (Depreciation)	(504,557)

The fund's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at January 31, 2023, the fund had available capital losses totaling \$2,572,771,000 that may be carried forward indefinitely to offset future net capital gains. The fund will use these capital losses to offset net taxable capital gains, if any, realized during the year ending January 31, 2024; should the fund realize net capital losses for the year, the losses will be added to the loss carryforward balance above.



E. During the six months ended July 31, 2023, the fund purchased \$6,038,552,000 of investment securities and sold \$7,031,479,000 of investment securities, other than temporary cash investments. Purchases and sales include \$2,344,402,000 and \$3,478,267,000, respectively, in connection with in-kind purchases and redemptions of the fund's capital shares.

The fund purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended July 31, 2023, such purchases were \$0 and sales were \$36,121,000, resulting in net realized loss of \$6,561,000; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

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

	Six Months Ended July 31, 2023		Year Ended January 31, 2023	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
<b>Investor Shares</b>				
Issued	4,597	165	12,156	378
Issued in Lieu of Cash Distributions	2,008	76	4,774	163
Redeemed	(28,382)	(1,019)	(58,357)	(1,875)
Net Increase (Decrease)—Investor Shares	(21,777)	(778)	(41,427)	(1,334)
<b>ETF Shares</b>				
Issued	2,713,573	32,493	6,166,911	65,225
Issued in Lieu of Cash Distributions	—	—	—	—
Redeemed	(3,480,972)	(42,100)	(9,213,809)	(99,300)
Net Increase (Decrease)—ETF Shares	(767,399)	(9,607)	(3,046,898)	(34,075)
<b>Admiral Shares</b>				
Issued	1,090,760	9,213	2,666,411	20,054
Issued in Lieu of Cash Distributions	359,906	3,188	682,639	5,494
Redeemed	(1,688,315)	(14,296)	(3,314,518)	(25,007)
Net Increase (Decrease)—Admiral Shares	(237,649)	(1,895)	34,532	541
<b>Institutional Shares</b>				
Issued	842,292	46,430	2,009,244	97,409
Issued in Lieu of Cash Distributions	188,354	10,777	357,630	18,606
Redeemed	(989,618)	(53,934)	(2,060,111)	(102,593)
Net Increase (Decrease)—Institutional Shares	41,028	3,273	306,763	13,422

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

	Jan. 31, 2023 Market Value (\$000)	Purchases at Cost (\$000)	Current Period Transactions					Jul. 31, 2023 Market Value (\$000)
			Proceeds from Securities Sold <sup>1</sup> (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
Vanguard Market Liquidity Fund	399,890	NA <sup>2</sup>	NA <sup>2</sup>	24	(46)	8,377	—	748,672
Vanguard Real Estate II Index Fund	8,471,187	161,605	—	—	(527,018)	161,605	—	8,105,774
Total	8,871,077	161,605	—	24	(527,064)	169,982	—	8,854,446

1 Does not include adjustments related to return of capital.

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

H. Significant market disruptions, such as those caused by pandemics (e.g., COVID-19 pandemic), natural or environmental disasters, war (e.g., Russia's invasion of Ukraine), acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the fund's investments and fund performance.

To the extent the fund's investment portfolio reflects concentration in a particular market, industry, sector, country or asset class, the fund may be adversely affected by the performance of these concentrations and may be subject to increased price volatility and other risks.

The use of derivatives may expose the fund to various risks. Derivatives can be highly volatile, and any initial investment is generally small relative to the notional amount so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard securities. Leveraged derivatives positions can, therefore, increase volatility. Additional information regarding the fund's use of derivative(s) and the specific risks associated is described under significant accounting policies.

I. Management has determined that no events or transactions occurred subsequent to July 31, 2023, that would require recognition or disclosure in these financial statements.

# Real Estate II Index Fund

## Fund Allocation

As of July 31, 2023

Data Center REITs	8.4%
Diversified Real Estate Activities	0.2
Diversified REITs	2.1
Health Care REITs	8.1
Hotel & Resort REITs	2.6
Industrial REITs	12.5
Multi-Family Residential REITs	9.2
Office REITs	4.7
Other Specialized REITs	6.1
Real Estate Development	0.3
Real Estate Operating Companies	0.4
Real Estate Services	6.9
Retail REITs	12.6
Self-Storage REITs	6.5
Single-Family Residential REITs	4.8
Telecom Tower REITs	12.0
Timber REITs	2.6

The table reflects the fund’s investments, except for short-term investments and derivatives. 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 fund may invest in derivatives (such as futures and swap contracts) for various reasons, including, but not limited to, attempting to remain fully invested and tracking its target index as closely as possible.

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.

# Financial Statements (unaudited)

## Schedule of Investments

As of July 31, 2023

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The fund's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
<b>Equity Real Estate Investment Trusts (REITs) (92.1%)</b>					
<b>Data Center REITs (8.4%)</b>					
Equinix Inc.	587,443	475,782	Universal Health Realty Income Trust	82,242	3,925
Digital Realty Trust Inc.	1,829,912	228,043	Global Medical REIT Inc.	390,459	3,866
		<b>703,825</b>	Diversified Healthcare Trust	1,503,164	3,142
<b>Diversified REITs (2.1%)</b>					<b>678,752</b>
WP Carey Inc.	1,343,609	90,734	<b>Hotel &amp; Resort REITs (2.6%)</b>		
Essential Properties Realty Trust Inc.	935,225	22,960	Host Hotels & Resorts Inc.	4,482,467	82,477
Broadstone Net Lease Inc.	1,176,757	19,181	Ryman Hospitality Properties Inc.	329,655	31,413
Alexander & Baldwin Inc.	456,328	8,761	Apple Hospitality REIT Inc.	1,369,203	21,223
Empire State Realty Trust Inc.			Park Hotels & Resorts Inc.	994,915	13,561
Class A	857,807	7,677	Sunstone Hotel Investors Inc.	1,242,571	12,662
American Assets Trust Inc.	324,583	7,303	Pebblebrook Hotel Trust	785,075	12,129
Global Net Lease Inc.	651,051	6,960	DiamondRock Hospitality Co.	1,325,572	11,267
Armada Hoffer Properties Inc.	424,682	5,275	RLJ Lodging Trust	1,015,725	10,462
Gladstone Commercial Corp.	253,297	3,369	Xenia Hotels & Resorts Inc.	698,930	8,877
NexPoint Diversified Real Estate Trust	198,130	2,316	Service Properties Trust	1,039,842	8,828
One Liberty Properties Inc.	106,763	2,181	Summit Hotel Properties Inc.	670,418	4,318
		<b>176,717</b>	Chatham Lodging Trust	306,386	2,941
<b>Health Care REITs (8.1%)</b>					<b>220,158</b>
Welltower Inc.	3,117,650	256,115	<b>Industrial REITs (12.5%)</b>		
Ventas Inc.	2,513,126	121,937	Prologis Inc.	5,800,982	723,672
Healthpeak Properties Inc.	3,435,708	75,001	Rexford Industrial Realty Inc.	1,261,311	69,486
Omega Healthcare Investors Inc.	1,471,877	46,953	EastGroup Properties Inc.	277,944	49,246
Healthcare Realty Trust Inc.			Americold Realty Trust Inc.	1,446,613	46,899
Class A	2,392,450	46,725	First Industrial Realty Trust Inc.	830,362	42,930
<sup>1</sup> Medical Properties Trust Inc.	3,759,071	37,929	STAG Industrial Inc.	1,126,656	40,898
Physicians Realty Trust	1,499,083	22,096	Terreno Realty Corp.	519,847	30,848
Sabra Health Care REIT Inc.	1,453,255	18,878	LXP Industrial Trust	1,839,052	18,519
National Health Investors Inc.	272,909	14,985	Innovative Industrial Properties Inc.	175,887	13,936
<sup>1</sup> CareTrust REIT Inc.	625,117	12,996			
LTC Properties Inc.	260,065	8,728			

## Real Estate II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Plymouth Industrial REIT Inc.	242,877	5,530	City Office REIT Inc.	250,470	1,370
Industrial Logistics Properties Trust	411,150	1,743	Franklin Street Properties Corp.	582,646	979
		<b>1,043,707</b>			<b>391,775</b>
<b>Multi-Family Residential REITs (9.2%)</b>			<b>Other Specialized REITs (6.1%)</b>		
AvalonBay Communities Inc.	879,493	165,916	VICI Properties Inc. Class A	6,308,079	198,578
Equity Residential	2,261,118	149,098	Iron Mountain Inc.	1,831,641	112,463
Mid-America Apartment Communities Inc.	732,419	109,614	Gaming & Leisure Properties Inc.	1,648,153	78,221
Essex Property Trust Inc.	404,969	98,630	Lamar Advertising Co. Class A	549,458	54,232
UDR Inc.	1,964,562	80,311	EPR Properties	472,982	21,114
Camden Property Trust	670,352	73,129	Outfront Media Inc.	932,476	14,416
Apartment Income REIT Corp.			Four Corners Property Trust Inc.	540,734	14,221
Class A	936,857	32,359	Uniti Group Inc.	1,500,203	8,371
Independence Realty Trust Inc.	1,409,758	24,022	Safehold Inc.	240,552	5,949
Elme Communities	551,223	8,957	Gladstone Land Corp.	212,786	3,562
* Veris Residential Inc.	458,588	8,567			<b>511,127</b>
Apartment Investment & Management Co. Class A	848,623	7,069	<b>Retail REITs (12.6%)</b>		
NexPoint Residential Trust Inc.	144,817	6,019	Simon Property Group Inc.	2,052,497	255,741
Centerspace	94,248	5,856	Realty Income Corp.	4,149,201	252,977
		<b>769,547</b>	Kimco Realty Corp.	3,894,384	78,900
			Regency Centers Corp.	968,400	63,459
			NNN REIT Inc.	1,143,927	48,823
			Federal Realty Investment Trust	460,918	46,792
<b>Office REITs (4.7%)</b>			Brixmor Property Group Inc.	1,887,584	42,924
Alexandria Real Estate Equities Inc.	1,032,549	129,771	Agree Realty Corp.	566,985	36,729
Boston Properties Inc.	935,876	62,357	Spirit Realty Capital Inc.	887,774	35,804
Kilroy Realty Corp.	699,156	24,960	Kite Realty Group Trust	1,377,371	31,514
Cousins Properties Inc.	953,177	23,286	Phillips Edison & Co. Inc.	736,686	26,012
Vornado Realty Trust	1,025,138	23,045	Macerich Co.	1,350,332	17,217
Corporate Office Properties Trust	707,404	18,392	SITE Centers Corp.	1,182,667	16,617
Highwoods Properties Inc.	662,959	16,753	Tanger Factory Outlet Centers Inc.	661,387	15,483
Douglas Emmett Inc.	1,104,122	16,231	Urban Edge Properties	738,521	12,562
<sup>1</sup> SL Green Realty Corp.	404,291	15,246	Retail Opportunity Investments Corp.	785,556	11,571
Equity Commonwealth	698,721	13,688	InvenTrust Properties Corp.	424,000	10,320
JBG SMITH Properties	681,013	11,393	Acadia Realty Trust	598,719	9,406
Easterly Government Properties Inc.			Getty Realty Corp.	279,318	9,028
Class A	578,240	8,535	NETSTREIT Corp.	366,436	6,556
Piedmont Office Realty Trust Inc.			Necessity Retail REIT Inc. Class A	838,870	5,956
Class A	775,476	5,770	RPT Realty	543,222	5,905
Brandywine Realty Trust	1,077,029	5,439	Urstadt Biddle Properties Inc. Class A	181,705	4,121
Paramount Group Inc.	1,021,740	5,354	Saul Centers Inc.	82,487	3,180
Hudson Pacific Properties Inc.	795,243	4,668	Alexander's Inc.	14,415	2,787
Office Properties Income Trust	304,573	2,345			
Orion Office REIT Inc.	337,384	2,193			

## Real Estate II Index Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
CBL & Associates Properties Inc.	70,377	1,532	<b>Real Estate Services (6.9%)</b>		
*.2 Spirit MTA REIT	257,871	—	* CoStar Group Inc.	2,555,313	214,570
		<b>1,051,916</b>	* CBRE Group Inc. Class A	1,952,421	162,656
<b>Self-Storage REITs (6.5%)</b>			* Zillow Group Inc. Class C	964,649	52,245
Public Storage	993,870	280,023	* Jones Lang LaSalle Inc.	299,137	49,821
Extra Space Storage Inc.	1,326,495	185,139	* Zillow Group Inc. Class A	361,047	19,215
CubeSmart	1,416,567	61,422	* Opendoor Technologies Inc.	3,228,388	16,497
National Storage Affiliates Trust	527,242	17,816	<sup>1</sup> eXp World Holdings Inc.	468,451	11,683
		<b>544,400</b>	* Redfin Corp.	689,490	10,329
<b>Single-Family Residential REITs (4.8%)</b>			* Cushman & Wakefield plc	998,900	9,819
Invitation Homes Inc.	3,843,523	136,445	* Compass Inc. Class A	1,800,307	7,543
Sun Communities Inc.	781,616	101,845	Newmark Group Inc. Class A	908,197	6,285
Equity LifeStyle Properties Inc.	1,111,161	79,092	Marcus & Millichap Inc.	159,605	5,854
American Homes 4 Rent Class A	2,041,988	76,534	* Anywhere Real Estate Inc.	622,774	5,219
UMH Properties Inc.	357,483	5,952	RE/MAX Holdings Inc. Class A	113,649	2,240
		<b>399,868</b>	Douglas Elliman Inc.	472,368	1,044
<b>Telecom Tower REITs (12.0%)</b>			*.1 Offerpad Solutions Inc.	34,520	409
American Tower Corp.	2,927,580	557,148	* Doma Holdings Inc.	28,787	238
Crown Castle Inc.	2,724,272	295,011			<b>575,667</b>
SBA Communications Corp. Class A	680,470	148,989	<b>Total Real Estate Management &amp; Development (Cost \$709,864)</b>		
		<b>1,001,148</b>			<b>642,813</b>
<b>Timber REITs (2.5%)</b>			<b>Temporary Cash Investments (0.9%)</b>		
Weyerhaeuser Co.	4,603,891	156,808	<b>Money Market Fund (0.9%)</b>		
Rayonier Inc.	879,943	29,144	<sup>3,4</sup> Vanguard Market Liquidity Fund, 5.274% (Cost \$71,479)	714,905	71,476
PotlatchDeltic Corp.	501,988	26,922			
		<b>212,874</b>	<b>Total Investments (100.7%) (Cost \$7,741,079)</b>		
<b>Total Equity Real Estate Investment Trusts (REITs) (Cost \$6,959,736)</b>					<b>8,420,103</b>
<b>Real Estate Management &amp; Development (7.7%)</b>			<b>Other Assets and Liabilities—Net (-0.7%)</b>		
<b>Diversified Real Estate Activities (0.2%)</b>					<b>(56,350)</b>
St. Joe Co.	219,984	13,964	<b>Net Assets (100%)</b>		
RMR Group Inc. Class A	97,862	2,308			<b>8,363,753</b>
		<b>16,272</b>	Cost is in \$000.		
<b>Real Estate Development (0.3%)</b>			• See Note A in Notes to Financial Statements.		
* Howard Hughes Corp.	220,011	18,576	* Non-income-producing security.		
* Forestar Group Inc.	124,871	3,681	<sup>1</sup> Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$55,810,000.		
		<b>22,257</b>	<sup>2</sup> Security value determined using significant unobservable inputs.		
<b>Real Estate Operating Companies (0.3%)</b>			<sup>3</sup> Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.		
DigitalBridge Group Inc.	1,015,094	16,262	<sup>4</sup> Collateral of \$59,444,000 was received for securities on loan. REIT—Real Estate Investment Trust.		
Kennedy-Wilson Holdings Inc.	606,881	10,013			
*.1 Seritage Growth Properties Class A	228,505	2,146			
*.1 WeWork Inc. Class A	906,069	196			
		<b>28,617</b>			

Derivative Financial Instruments Outstanding as of Period End

Over-the-Counter Total Return Swaps

Reference Entity	Termination Date	Counterparty	Notional Amount (\$000)	Floating Interest Rate Received (Paid) <sup>1</sup> (%)	Value and Unrealized Appreciation (\$000)	Value and Unrealized Depreciation (\$000)
Americold Realty Trust Inc.	1/31/24	GSI	8,148	(5.251)	—	(58)
Park Hotels & Resorts Inc.	1/31/24	GSI	5,224	(5.251)	218	—
					218	(58)

1 Based on USD Overnight Bank Funding Rate as of the most recent reset date. Floating interest payment received/paid monthly.  
GSI—Goldman Sachs International.

# Statement of Assets and Liabilities

As of July 31, 2023

(\$000s, except shares, footnotes, and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value <sup>1</sup>	
Unaffiliated Issuers (Cost \$7,669,600)	8,348,627
Affiliated Issuers (Cost \$71,479)	71,476
Total Investments in Securities	8,420,103
Investment in Vanguard	278
Cash	2,092
Receivables for Accrued Income	4,484
Receivables for Capital Shares Issued	93
Unrealized Appreciation—Over-the-Counter Swap Contracts	218
<b>Total Assets</b>	<b>8,427,268</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	3,712
Collateral for Securities on Loan	59,444
Payables for Capital Shares Redeemed	6
Payables to Vanguard	295
Unrealized Depreciation—Over-the-Counter Swap Contracts	58
<b>Total Liabilities</b>	<b>63,515</b>
<b>Net Assets</b>	<b>8,363,753</b>

<sup>1</sup> Includes \$55,810,000 of securities on loan.

At July 31, 2023, net assets consisted of:

Paid-in Capital	7,798,161
Total Distributable Earnings (Loss)	565,592
<b>Net Assets</b>	<b>8,363,753</b>
<b>Net Assets</b>	
Applicable to 408,622,376 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	8,363,753
<b>Net Asset Value Per Share</b>	<b>\$20.47</b>



# Statement of Operations

Six Months Ended  
July 31, 2023

(\$000)

<b>Investment Income</b>	
<b>Income</b>	
Dividends	124,070
Interest <sup>1</sup>	134
Securities Lending—Net	110
<b>Total Income</b>	<b>124,314</b>
<b>Expenses</b>	
The Vanguard Group—Note B	
Investment Advisory Services	82
Management and Administrative	2,957
Marketing and Distribution	71
Custodian Fees	83
Shareholders' Reports	9
Trustees' Fees and Expenses	2
Other Expenses	8
<b>Total Expenses</b>	<b>3,212</b>
<b>Net Investment Income</b>	<b>121,102</b>
<b>Realized Net Gain (Loss)</b>	
Capital Gain Distributions Received	24,390
Investment Securities Sold <sup>1</sup>	(78,412)
Futures Contracts	14
Swap Contracts	(422)
<b>Realized Net Gain (Loss)</b>	<b>(54,430)</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>1</sup>	(441,731)
Swap Contracts	160
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(441,571)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(374,899)</b>

<sup>1</sup> Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$134,000, (\$4,000), and (\$5,000), respectively. Purchases and sales are for temporary cash investment purposes.

# Statement of Changes in Net Assets

	Six Months Ended July 31, 2023	Year Ended January 31, 2023
	(\$000)	(\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	121,102	211,725
Realized Net Gain (Loss)	(54,430)	70,280
Change in Unrealized Appreciation (Depreciation)	(441,571)	(1,336,365)
Net Increase (Decrease) in Net Assets Resulting from Operations	(374,899)	(1,054,360)
<b>Distributions</b>		
Net Investment Income and/or Realized Capital Gains	(166,659)	(291,773)
Return of Capital	—	(48,996)
Total Distributions	(166,659)	(340,769)
<b>Capital Share Transactions</b>		
Issued	53,498	203,267
Issued in Lieu of Cash Distributions	166,659	340,769
Redeemed	(4,681)	(1,113)
Net Increase (Decrease) from Capital Share Transactions	215,476	542,923
Total Increase (Decrease)	(326,082)	(852,206)
<b>Net Assets</b>		
Beginning of Period	8,689,835	9,542,041
End of Period	8,363,753	8,689,835

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

# Financial Highlights

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2023	Year Ended January 31,				
	2023	2022	2021	2020	2019	
<b>Net Asset Value, Beginning of Period</b>	<b>\$21.86</b>	<b>\$25.69</b>	<b>\$20.50</b>	<b>\$22.64</b>	<b>\$20.10</b>	<b>\$19.17</b>
<b>Investment Operations</b>						
Net Investment Income <sup>1</sup>	.300	.558	.484	.471	.571	.611
Net Realized and Unrealized Gain (Loss) on Investments	(1.275)	(3.493)	5.427	(1.808)	2.752	1.176
Total from Investment Operations	(.975)	(2.935)	5.911	(1.337)	3.323	1.787
<b>Distributions</b>						
Dividends from Net Investment Income	(.415)	(.528)	(.477)	(.465)	(.590)	(.626)
Distributions from Realized Capital Gains	—	(.238)	(.034)	—	—	—
Return of Capital	—	(.129)	(.210)	(.338)	(.193)	(.231)
Total Distributions	(.415)	(.895)	(.721)	(.803)	(.783)	(.857)
<b>Net Asset Value, End of Period</b>	<b>\$20.47</b>	<b>\$21.86</b>	<b>\$25.69</b>	<b>\$20.50</b>	<b>\$22.64</b>	<b>\$20.10</b>
<b>Total Return</b>	<b>-4.31%</b>	<b>-11.23%</b>	<b>28.96%</b>	<b>-5.70%</b>	<b>16.78%</b>	<b>9.68%</b>
<b>Ratios/Supplemental Data</b>						
Net Assets, End of Period (Millions)	\$8,364	\$8,690	\$9,542	\$7,400	\$7,848	\$6,719
Ratio of Total Expenses to Average Net Assets	0.08%	0.08% <sup>2</sup>	0.08%	0.08%	0.08%	0.08%
Ratio of Net Investment Income to Average Net Assets	2.93%	2.47%	1.95%	2.41%	2.63%	3.22%
Portfolio Turnover Rate	5%	5% <sup>3</sup>	6%	4%	3%	23%

The expense ratio and net investment income ratio for the current period have been annualized.

1 Calculated based on average shares outstanding.

2 The ratio of expenses to average net assets for the period net of reduction from custody fee offset arrangements was 0.08%.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares.

## Notes to Financial Statements

Vanguard Real Estate II Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund is a wholly owned subsidiary of Vanguard Real Estate Index Fund ("Real Estate Index Fund"), and at July 31, 2023, the Real Estate Index Fund was the record and beneficial owner of 96.9% of the fund's net assets. As part of the Real Estate Index Fund's principal investment strategy, it attempts to replicate the benchmark index by investing all, or substantially all, of its assets—either directly or indirectly through the fund—in the stocks that make up the index.

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 by methods deemed by the valuation designee to represent fair value and subject to oversight by the board of trustees. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value.

2. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, maintaining liquidity, and minimizing transaction costs. The fund may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. 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 securities pledged as initial margin for open contracts are noted in the Schedule of Investments.

Futures contracts are valued at their quoted daily settlement prices. The notional amounts of the contracts are not recorded in the Statement of Assets and Liabilities. Fluctuations in the value of the contracts are recorded in the Statement of Assets and Liabilities 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 gains (losses) on futures contracts.

During the six months ended July 31, 2023, the fund's average investments in long and short futures contracts represented less than 1% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period. The fund had no open futures contracts at July 31, 2023.

3. **Swap Contracts:** The fund has entered into equity swap contracts to earn the total return on selected reference stocks or indexes in the fund's target index. Under the terms of the swaps, the fund receives the total return on the referenced stock (i.e., receiving the increase or paying the decrease in value of the selected reference stock and receiving the equivalent of any dividends in respect of the selected referenced stock) over a specified period of time, applied to a notional amount that represents the value of a designated number of shares of the selected reference stock at the beginning of the equity swap contract. The fund also pays a floating rate that is based on short-term interest rates, applied to the notional amount. At the same time, the fund generally invests an amount approximating the notional amount of the swap in high-quality temporary cash investments.

A risk associated with all types of swaps is the possibility that a counterparty may default on its obligation to pay net amounts due to the fund. The fund's maximum amount subject to counterparty risk is the unrealized appreciation on the swap contract. The fund mitigates its counterparty risk by entering into swaps only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. In the event of a counterparty's default (including bankruptcy), the fund may terminate any swap contracts with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements. The swap contracts contain provisions whereby a counterparty may terminate open contracts if the fund's net assets decline below a certain level, triggering a payment by the fund if the fund is in a net liability position at the time of the termination. The payment amount would be reduced by any collateral the fund has pledged. Any securities pledged as collateral for open contracts are noted in the Schedule of Investments. The value of collateral received or pledged is compared daily to the value of the swap contracts exposure with each counterparty, and any difference, if in excess of a specified minimum transfer amount, is adjusted and settled within two business days.

The notional amounts of swap contracts are not recorded in the Statement of Assets and Liabilities. Swaps are valued daily based on market quotations received from independent pricing services or recognized dealers and the change in value is recorded in the Statement of Assets and Liabilities as an asset (liability) and in the Statement of Operations as unrealized appreciation (depreciation) until periodic payments are made or the termination of the swap, at which time realized gain (loss) is recorded.

During the six months ended July 31, 2023, the fund's average amounts of investments in total return swaps represented less than 1% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute virtually all of its taxable income. The fund's tax returns are open to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. Management has analyzed the fund's tax positions taken for all open federal and state income tax years, and has concluded that no provision for income tax is required in the fund's financial statements.

5. Distributions: Distributions to shareholders are recorded on the ex-dividend date. The portion of distributions that exceed a fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital. Distributions are determined on a tax basis at the fiscal year-end and may differ from net investment income and realized capital gains for financial reporting purposes.

6. 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 Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Collateral investments in Vanguard Market Liquidity Fund are subject to market appreciation or depreciation. 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.

7. Credit Facilities and Interfund Lending Program: 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 and an uncommitted credit facility provided by Vanguard. Both facilities may be renewed annually. Each fund is individually liable for its borrowings, if any, under the credit facilities. Borrowings may be utilized for temporary or emergency purposes and are subject to the fund's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed amount of the facility, which 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 either facility bear interest at an agreed-upon spread plus the higher of the federal funds effective rate, the overnight bank funding rate, or the Daily Simple Secured Overnight Financing Rate inclusive of an additional agreed-upon spread. However, borrowings under the uncommitted credit facility may bear interest based upon an alternate rate agreed to by the fund and Vanguard.

In accordance with an exemptive order (the "Order") from the SEC, the fund may participate in a joint lending and borrowing program that allows registered open-end Vanguard funds to borrow money from and lend money to each other for temporary or emergency purposes (the "Interfund Lending Program"), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the fund's investment objective and investment policies. Interfund loans and borrowings normally extend overnight but can have a maximum duration of seven days. Loans may be called on one business day's notice. The interest rate to be charged is governed by the

conditions of the Order and internal procedures adopted by the board of trustees. The board of trustees is responsible for overseeing the Interfund Lending Program.

For the six months ended July 31, 2023, the fund did not utilize the credit facilities or the Interfund Lending Program.

8. Other: Distributions received from investment securities are recorded on the ex-dividend date. Non-cash dividends included in income, if any, are recorded at the fair value of the securities received. Each investment security reports annually the tax character of its distributions. Dividend income, capital gain distributions received, and unrealized appreciation (depreciation) reflect the amounts of taxable income, capital gain, and return of capital reported by the REITs, and management's estimates of such amounts for REIT distributions for which actual information has not been reported. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. 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.

**B.** 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 and 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 July 31, 2023, the fund had contributed to Vanguard capital in the amount of \$278,000, representing less than 0.01% of the fund's net assets and 0.11% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

**C.** Various inputs may be used to determine the value of the fund's investments and derivatives. 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 and derivatives valued with significant unobservable inputs are noted on the Schedule of Investments.

The following table summarizes the market value of the fund's investments and derivatives as of July 31, 2023, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Investments</b>				
<b>Assets</b>				
Common Stocks	8,348,627	—	—	8,348,627
Temporary Cash Investments	71,476	—	—	71,476
Total	8,420,103	—	—	8,420,103
<b>Derivative Financial Instruments</b>				
<b>Assets</b>				
Swap Contracts	—	218	—	218
<b>Liabilities</b>				
Swap Contracts	—	58	—	58

D. As of July 31, 2023, 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	7,791,542
Gross Unrealized Appreciation	1,641,298
Gross Unrealized Depreciation	(1,012,577)
Net Unrealized Appreciation (Depreciation)	628,721

E. During the six months ended July 31, 2023, the fund purchased \$586,052,000 of investment securities and sold \$374,306,000 of investment securities, other than temporary cash investments.

The fund purchased securities from and sold securities to other Vanguard funds or accounts managed by Vanguard or its affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the six months ended July 31, 2023, such purchases were \$31,616,000 and sales were \$739,000, resulting in net realized loss of \$426,000; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.



## F. Capital shares issued and redeemed were:

	Six Months Ended July 31, 2023	Year Ended January 31, 2023
	Shares (000)	Shares (000)
Issued	2,645	9,838
Issued in Lieu of Cash Distributions	8,728	16,244
Redeemed	(232)	(52)
Net Increase (Decrease) in Shares Outstanding	11,141	26,030

G. Significant market disruptions, such as those caused by pandemics (e.g., COVID-19 pandemic), natural or environmental disasters, war (e.g., Russia's invasion of Ukraine), acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the fund's investments and fund performance.

To the extent the fund's investment portfolio reflects concentration in a particular market, industry, sector, country or asset class, the fund may be adversely affected by the performance of these concentrations and may be subject to increased price volatility and other risks.

The use of derivatives may expose the fund to various risks. Derivatives can be highly volatile, and any initial investment is generally small relative to the notional amount so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard securities. Leveraged derivatives positions can, therefore, increase volatility. Additional information regarding the fund's use of derivative(s) and the specific risks associated is described under significant accounting policies.

H. Management has determined that no events or transactions occurred subsequent to July 31, 2023, that would require recognition or disclosure in these financial statements.

# Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Real Estate Index Fund and the board of trustees of Vanguard Real Estate II Index Fund have renewed each fund's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard), through its Equity Index Group. Each board determined that continuing the respective fund's internalized management structure was in the best interests of the fund and its shareholders.

Each board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. This evaluation included information provided to the board by Vanguard's Portfolio Review Department, which is responsible for fund and advisor oversight and product management. The Portfolio Review Department met regularly with the advisor and made presentations to the board during the fiscal year that directed the board's focus to relevant information and topics.

Each board, or an investment committee made up of board members, also received information throughout the year during advisor presentations. For each advisor presentation, the board was provided with letters and reports that included information about, among other things, the advisory firm and the advisor's assessment of the investment environment, portfolio performance, and portfolio characteristics.

In addition, each board received periodic reports throughout the year, which included information about the respective fund's performance relative to its peers and benchmark, as applicable, and updates, as needed, on the Portfolio Review Department's ongoing assessment of the advisor.

Prior to their meeting, the trustees of each board were provided with a memo and materials that summarized the information they received over the course of the year. They also considered the factors discussed below, among others. However, no single factor determined whether either board approved its respective fund's arrangement. Rather, it was the totality of the circumstances that drove each board's decision.

## **Nature, extent, and quality of services**

The board of the Real Estate Index Fund reviewed the quality of that fund's investment management services over both the short and long term, while the board of the Real Estate II Index Fund reviewed the quality of that fund's investment management services since its inception in 2017; each took into account the organizational depth and stability of the advisor. Each board considered that Vanguard has been managing investments for more than four decades. The Equity Index Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

Each board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement with its respective fund.

## **Investment performance**

The board of the Real Estate Index Fund considered the short- and long-term performance of the fund, including any periods of outperformance or underperformance compared with its target index and peer group, while the board of the Real Estate II Index Fund considered the short-term and since inception performance of the fund compared with its target index and peer group. Each board concluded that the performance of its respective fund was such that its advisory arrangement should continue.

**Cost**

Each board concluded that the respective fund's expense ratio was below the average expense ratio charged by funds in its peer group and that the respective fund's advisory expenses were also below the peer-group average.

Neither board conducts a profitability analysis of Vanguard because of Vanguard's unique structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees.

**The benefit of economies of scale**

Each board concluded that its respective fund's arrangement with Vanguard ensures that the fund will realize economies of scale as it grows, with the cost to shareholders declining as fund assets increase.

Each board will consider whether to renew its respective advisory arrangement again after a one-year period.

# Liquidity Risk Management

Vanguard funds (except for the money market funds) have adopted and implemented a written liquidity risk management program (the “Program”) as required by Rule 22e-4 under the Investment Company Act of 1940. Rule 22e-4 requires that each fund adopt a program that is reasonably designed to assess and manage the fund’s liquidity risk, which is the risk that the fund could not meet redemption requests without significant dilution of remaining investors’ interests in the fund.

Assessment and management of a fund’s liquidity risk under the Program take into consideration certain factors, such as the fund’s investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions, its short- and long-term cash-flow projections during both normal and reasonably foreseeable stressed conditions, and its cash and cash-equivalent holdings and access to other funding sources. As required by the rule, the Program includes policies and procedures for classification of fund portfolio holdings in four liquidity categories, maintaining certain levels of highly liquid investments, and limiting holdings of illiquid investments.

The board of trustees of Vanguard Specialized Funds and Vanguard Fixed Income Securities Funds approved the appointment of liquidity risk management program administrators responsible for administering the Program for Vanguard Real Estate Index Fund and Vanguard Real Estate II Index Fund, and for carrying out the specific responsibilities set forth in the Program, including reporting to the board on at least an annual basis regarding the Program’s operation, its adequacy, and the effectiveness of its implementation for the past year (the “Program Administrator Report”). The board has reviewed the Program Administrator Report covering the period from January 1, 2022, through December 31, 2022 (the “Review Period”). The Program Administrator Report stated that during the Review Period the Program operated and was implemented effectively to manage the funds’ liquidity risk.

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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](mailto:publicinfo@sec.gov).