

Annual Report | September 30, 2020

Vanguard Equity Income Fund

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

Important information about access to shareholder reports

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

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

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

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

Your Fund's Performance at a Glance

- For the 12 months ended September 30, Vanguard Equity Income Fund returned –2.87% for Investor Shares and –2.77% for Admiral Shares. The fund fared better than its benchmark (–5.52%). The broad U.S. stock market, as measured by the Russell 3000 Index, returned 15.00%.
- After a sharp, pandemic-related decline earlier in 2020, global stocks began a rebound in March that continued into the third quarter. Massive fiscal and monetary support from governments and central banks, signs of economic healing, and reported progress toward a COVID-19 vaccine all buoyed the markets until September, when investor sentiment soured a little.
- The fund's two advisors focus on investing in large-capitalization value companies with higher yields, and they emphasize dividends. That focus hurt the fund's performance compared to the broader market, as value stocks generally trailed their growth counterparts.
- By sector, financials and consumer discretionary contributed most to relative returns. Materials, consumer staples, and utilities were the biggest detractors.

Market Barometer

| | Average Annual Total Returns Periods Ended September 30, 2020 | | |
|--|--|-------------|------------|
| | One Year | Three Years | Five Years |
| Stocks | | | |
| Russell 1000 Index (Large-caps) | 16.01% | 12.38% | 14.09% |
| Russell 2000 Index (Small-caps) | 0.39 | 1.77 | 8.00 |
| Russell 3000 Index (Broad U.S. market) | 15.00 | 11.65 | 13.69 |
| FTSE All-World ex US Index (International) | 3.55 | 1.50 | 6.49 |
| Bonds | | | |
| Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market) | 6.98% | 5.24% | 4.18% |
| Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market) | 4.09 | 4.28 | 3.84 |
| FTSE Three-Month U.S. Treasury Bill Index | 1.02 | 1.65 | 1.15 |
| CPI | | | |
| Consumer Price Index | 1.37% | 1.79% | 1.81% |

Advisors' Report

For the fiscal year ended September 30, 2020, Vanguard Equity Income Fund returned -2.87% for Investor Shares and -2.77% for Admiral Shares, surpassing its benchmark, which returned -5.52%. Your fund is managed by Wellington Management Company and Vanguard Quantitative Equity Group. The use of two investment advisors provides exposure to distinct yet complementary investment approaches, enhancing the diversification of your fund. It is not uncommon for different advisors to have different views about individual securities or the broader investment environment.

The table below presents the percentage and amount of the fund's assets that each advisor manages, as well as brief descriptions of their investment strategies. The advisors have also prepared a discussion of the investment environment that existed during the fiscal year and of how their portfolio positioning reflects this assessment. These comments were prepared on October 19, 2020.

Vanguard Equity Income Fund Investment Advisors

| Investment Advisor | Fund Assets Managed | | Investment Strategy |
|------------------------------------|---------------------|------------|---|
| | % | \$ Million | |
| Wellington Management Company LLP | 65 | 22,804 | A fundamental approach to seeking desirable stocks. Our selections typically offer above-average dividend yields, below-average valuations, and the potential for dividend increases in the future. |
| Vanguard Quantitative Equity Group | 34 | 12,108 | Employs a quantitative fundamental management approach, using models that assess valuation, growth prospects, management decisions, market sentiment, and earnings and balance-sheet quality of companies as compared with their peers. |
| Cash Investments | 1 | 386 | These short-term reserves are invested by Vanguard in equity index products to simulate investment in stocks. Each advisor may also maintain a modest cash position. |

Wellington Management Company LLP

Portfolio Manager:

W. Michael Reckmeyer, III, CFA,
Senior Managing Director
and Equity Portfolio Manager

At the start of 2020, measures to stem the spread of the coronavirus inflicted unprecedented damage on the U.S. economy, driving a clear dispersion between mega-capitalization tech companies and stay-at-home beneficiaries versus the rest of the economy. Investors focused their attention on solvency risk and financial leverage, as many companies saw record declines in revenue. Economic data from April and May illustrated the severe impact of the pandemic, with many indicators plummeting to their lowest levels on record. Tensions between the U.S. and China reignited in May; China was widely criticized for its plans to impose a national security law on Hong Kong and was blamed for mishandling the COVID-19 outbreak.

U.S. equities extended their extraordinary recovery rally during the third quarter, with markets supported by substantial monetary support from the Federal Reserve, a broadening U.S. economic recovery, better-than-expected corporate earnings, and promising trials for COVID-19 vaccines. The U.S. economy gradually recovered during the quarter. However, the path to a sustainable economic recovery was clouded by concerns about a resurgence in COVID-19 infections in many areas of the

country, an undetermined timeline for vaccines, high unemployment, elevated debt burdens, and uncertainty about additional fiscal stimulus.

In September, the S&P 500 Index declined for the first time in five months. Shares of large-cap technology companies, which had been key drivers of the market's powerful rally from its March lows, fell sharply early in the month amid concerns about crowded positioning and stretched valuations.

During the 12-month period, our portion of the fund benefited from strong security selection in the financial, real estate, energy, and communication services sectors. This was partially offset by selection within utilities, information technology, and materials.

At the individual stock level, a lack of benchmark constituent Wells Fargo contributed most to relative performance as the stock fell more than 51% over the period. Our decision to eliminate our position in Exxon Mobil and our out-of-benchmark position in Crown Castle also contributed. The largest relative detractors were our out-of-benchmark position in Suncor Energy, and not holding benchmark constituents QUALCOMM and Amgen. Shares of Suncor fell 60%, while QUALCOMM and Amgen delivered strong performance.

At the end of the period, our portion of the fund was most overweight industrials, health care, and real estate. We notably increased our active weight in consumer

discretionary, going from the largest underweight position at the beginning of the period to a slight overweight by the end. This was in large part the result of our increased exposure to consumer-packaged goods companies such as Kellogg, Mondelez, and Coca-Cola.

As always, we remain focused on finding investment opportunities in quality dividend-paying companies with attractive total-return potential at discounted valuations.

Vanguard Quantitative Equity Group

Portfolio Managers:

James P. Stetler

Binbin Guo, Principal, Head of Alpha Equity Investments

Investment environment

After a sharp, pandemic-related decline earlier in 2020, global stocks began a rebound in March that continued into the third quarter. Massive fiscal and monetary support from governments and central banks, signs of economic healing, and reported progress toward a COVID-19 vaccine all buoyed the markets. Investor sentiment soured and volatility returned in September, though, amid stretched valuations in the technology sector, a resurgence in coronavirus infections in some regions, and dimmer chances of a new government aid package in the United States.

In the United States, where the fund concentrates its holdings, large-capitalization stocks outpaced mid- and small-caps, and growth stocks again returned more than value stocks.

In the global bond market, the pandemic led to a wave of issuance, which drove up supply, but demand held up fairly well. Yields ended the quarter little changed.

Investment objective and strategy

Our approach to investing focuses on fundamentals. We use a strict quantitative approach to evaluate a stock's attractiveness based on five characteristics: high quality—healthy balance sheets and steady cash-flow generation; management decisions—sound investment policies that favor internal over external funding; consistent earnings growth—the ability to grow earnings year after year; strong market sentiment—market confirmation of our view; and reasonable valuation—we strive to avoid overpriced stocks.

Using these five themes, we generate a daily composite stock ranking as we seek to capitalize on market inefficiencies. We then monitor our portfolio based on those rankings and adjust when appropriate to maximize expected returns while minimizing exposure to risks that our research indicates don't improve returns (such as industry selection and other risks relative to our benchmark).

Our successes and shortfalls

Five of the 11 industry sectors in the portfolio added to relative performance. Information technology, energy, and financials were the top contributors. Consumer discretionary, industrials, and utilities were the biggest detractors.

At the individual holding level, the portfolio benefited from underweights to energy stocks Occidental Petroleum and Exxon Mobil as well as financials company American International Group. Overweighting PACCAR and Cummins in industrials also helped results. The greatest shortfalls came from our overweight positions in consumer-oriented companies Coty and Carnival. Our underweights to Amgen in health care, BlackRock in financials, and Broadcom in information technology also detracted.

Although we recognize that risk can reward or punish us over the near term, we believe that constructing a portfolio that emphasizes our key fundamentals through different market environments will benefit investors over the long term.

We thank you for your investment and look forward to the coming fiscal year.

About Your Fund's Expenses

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

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

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

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

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

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

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

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

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

Six Months Ended September 30, 2020

| Equity Income Fund | Beginning Account Value 3/31/2020 | Ending Account Value 9/30/2020 | Expenses Paid During Period |
|---|---|--------------------------------------|-----------------------------------|
| Based on Actual Fund Return | | | |
| Investor Shares | \$1,000.00 | \$1,183.92 | \$1.53 |
| Admiral™ Shares | 1,000.00 | 1,184.69 | 1.04 |
| Based on Hypothetical 5% Yearly Return | | | |
| Investor Shares | \$1,000.00 | \$1,023.60 | \$1.42 |
| Admiral Shares | 1,000.00 | 1,024.05 | 0.96 |

The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.28% for Investor Shares and 0.19% for Admiral Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period (183/366).

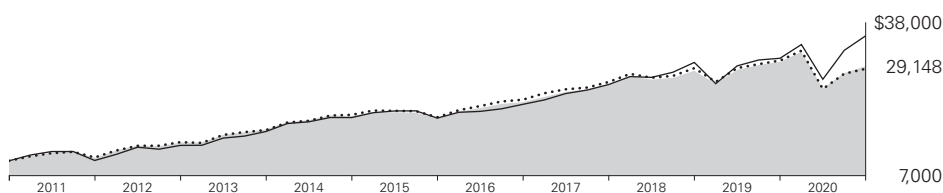
Equity Income Fund

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares.

Cumulative Performance: September 30, 2010, Through September 30, 2020

Initial Investment of \$10,000



Average Annual Total Returns Periods Ended September 30, 2020

| | One Year | Five Years | Ten Years | Final Value of a \$10,000 Investment |
|---|-------------|---------------|--------------|--|
| Equity Income Fund Investor Shares | -2.87% | 9.35% | 11.29% | \$29,148 |
| FTSE High Dividend Yield Index | -5.52 | 8.74 | 11.08 | 28,593 |
| Dow Jones U.S. Total Stock Market Float Adjusted Index | 14.77 | 13.60 | 13.43 | 35,263 |

| | One Year | Five Years | Ten Years | Final Value of a \$50,000 Investment |
|---|-------------|---------------|--------------|--|
| Equity Income Fund Admiral Shares | -2.77% | 9.45% | 11.39% | \$147,057 |
| FTSE High Dividend Yield Index | -5.52 | 8.74 | 11.08 | 142,966 |
| Dow Jones U.S. Total Stock Market Float Adjusted Index | 14.77 | 13.60 | 13.43 | 176,315 |

See Financial Highlights for dividend and capital gains information.

Fund Allocation

As of September 30, 2020

| | |
|------------------------|------|
| Communication Services | 6.3% |
| Consumer Discretionary | 4.8 |
| Consumer Staples | 14.6 |
| Energy | 4.0 |
| Financials | 17.3 |
| Health Care | 18.0 |
| Industrials | 11.2 |
| Information Technology | 11.3 |
| Materials | 3.0 |
| Real Estate | 1.3 |
| Utilities | 8.2 |

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 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

Schedule of Investments

As of September 30, 2020

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.

| | Shares | Market Value* (\$000) | | Shares | Market Value* (\$000) |
|--------------------------------------|------------|--------------------------|---------------------------|------------|--------------------------|
| Common Stocks (98.6%) | | | | | |
| Communication Services (6.2%) | | | | | |
| Verizon | | | Unilever NV | 4,047,378 | 244,462 |
| Communications Inc. | 15,834,300 | 941,983 | Altria Group Inc. | 3,786,496 | 146,310 |
| Comcast Corp. | | | General Mills Inc. | 1,694,608 | 104,523 |
| Class A | 19,937,913 | 922,328 | Kimberly-Clark Corp. | 693,596 | 102,416 |
| AT&T Inc. | 6,631,862 | 189,074 | Campbell Soup Co. | 1,561,914 | 75,550 |
| CenturyLink Inc. | 7,462,633 | 75,298 | Conagra Brands Inc. | 1,784,587 | 63,728 |
| Omnicom Group Inc. | 1,072,297 | 53,079 | Clorox Co. | 281,575 | 59,179 |
| Interpublic Group of | | | Kraft Heinz Co. | 1,971,408 | 59,044 |
| Cos. Inc. | 1,128,616 | 18,814 | Coca-Cola European | | |
| | | 2,200,576 | Partners plc | 795,250 | 30,864 |
| | | | Bunge Ltd. | 437,446 | 19,991 |
| | | | J M Smucker Co. | 157,638 | 18,210 |
| | | | Colgate-Palmolive Co. | 95,528 | 7,370 |
| | | | | | 5,090,683 |
| Consumer Discretionary (4.7%) | | | Energy (3.9%) | | |
| McDonald's Corp. | 2,416,832 | 530,471 | Phillips 66 | 4,657,694 | 241,455 |
| VF Corp. | 3,546,965 | 249,174 | TC Energy Corp. | 5,735,596 | 240,787 |
| Lowe's Cos. Inc. | 1,501,325 | 249,010 | ^ Chevron Corp. | 3,273,545 | 235,695 |
| Home Depot Inc. | 607,019 | 168,575 | ConocoPhillips | 6,032,215 | 198,098 |
| Target Corp. | 614,764 | 96,776 | Kinder Morgan Inc. | 12,951,544 | 159,692 |
| Whirlpool Corp. | 496,894 | 91,374 | Exxon Mobil Corp. | 3,628,505 | 124,567 |
| Best Buy Co. Inc. | 803,084 | 89,375 | Williams Cos. Inc. | 3,277,895 | 64,411 |
| Cie Generale des | | | Schlumberger Ltd. | 2,246,656 | 34,958 |
| Etablissements | | | Halliburton Co. | 2,531,793 | 30,508 |
| Michelin SCA | 807,327 | 86,665 | Valero Energy Corp. | 516,814 | 22,388 |
| H&R Block Inc. | 2,374,766 | 38,685 | Murphy Oil Corp. | 2,015,023 | 17,974 |
| Newell Brands Inc. | 1,726,968 | 29,635 | Devon Energy Corp. | 1,429,565 | 13,524 |
| Hanesbrands Inc. | 1,188,740 | 18,723 | | | 1,384,057 |
| Big Lots Inc. | 149,421 | 6,664 | | | |
| | | 1,655,127 | Financials (17.0%) | | |
| Consumer Staples (14.4%) | | | JPMorgan Chase & Co. | 11,376,319 | 1,095,198 |
| Procter & Gamble Co. | 8,231,812 | 1,144,140 | Progressive Corp. | 6,851,724 | 648,653 |
| Coca-Cola Co. | 12,110,015 | 597,871 | Bank of America Corp. | 25,989,866 | 626,096 |
| Philip Morris | | | BlackRock Inc. | 846,604 | 477,104 |
| International Inc. | 7,740,390 | 580,452 | MetLife Inc. | 12,128,708 | 450,824 |
| PepsiCo Inc. | 3,754,527 | 520,377 | Chubb Ltd. | 3,199,081 | 371,477 |
| Mondelez | | | Truist Financial Corp. | 7,417,442 | 282,234 |
| International Inc. | | | PNC Financial Services | | |
| Class A | 7,535,288 | 432,902 | Group Inc. | 2,263,207 | 248,749 |
| Archer-Daniels-Midland | | | Blackstone Group LP | | |
| Co. | 6,698,418 | 311,409 | Class A | 4,136,787 | 215,940 |
| Walmart Inc. | 2,170,107 | 303,620 | Citigroup Inc. | 3,947,471 | 170,175 |
| Kellogg Co. | 4,153,345 | 268,265 | Morgan Stanley | 3,396,780 | 164,234 |

Equity Income Fund

| | Shares | Market Value* (\$000) | | Shares | Market Value* (\$000) |
|--------------------------------|------------|-----------------------|--|------------|-----------------------|
| Wells Fargo & Co. | 6,504,580 | 152,923 | Amgen Inc. | 443,366 | 112,686 |
| Travelers Cos. Inc. | 1,011,103 | 109,391 | Gilead Sciences Inc. | 1,670,858 | 105,582 |
| M&T Bank Corp. | 877,056 | 80,768 | Bristol-Myers Squibb Co. | 1,730,909 | 104,356 |
| Fifth Third Bancorp | 3,474,653 | 74,080 | Cardinal Health Inc. | 1,532,679 | 71,959 |
| Regions Financial Corp. | 5,966,705 | 68,796 | | | 6,265,207 |
| Citizens Financial Group Inc. | 2,544,468 | 64,324 | Industrials (11.0%) | | |
| Equitable Holdings Inc. | 3,396,808 | 61,958 | Lockheed Martin Corp. | 1,330,377 | 509,907 |
| Aflac Inc. | 1,679,423 | 61,047 | Deere & Co. | 2,007,902 | 445,011 |
| US Bancorp | 1,640,830 | 58,824 | Union Pacific Corp. | 2,094,465 | 412,337 |
| First American Financial Corp. | 1,075,109 | 54,734 | Eaton Corp. plc | 3,404,124 | 347,323 |
| LPL Financial Holdings Inc. | 696,577 | 53,407 | General Dynamics Corp. | 2,104,096 | 291,270 |
| Prudential Financial Inc. | 774,376 | 49,188 | Caterpillar Inc. | 1,935,479 | 288,677 |
| Unum Group | 2,867,646 | 48,263 | Raytheon Technologies Corp. | 4,480,977 | 257,835 |
| Virtu Financial Inc. Class A | 1,736,366 | 39,954 | Honeywell International Inc. | 1,561,551 | 257,047 |
| CME Group Inc. | 225,077 | 37,658 | Trane Technologies plc | 2,003,528 | 242,928 |
| Synchrony Financial | 1,385,999 | 36,272 | United Parcel Service Inc. Class B | 682,218 | 113,678 |
| KeyCorp | 2,290,482 | 27,325 | Johnson Controls International plc | 2,569,687 | 104,972 |
| Huntington Bancshares Inc. | 2,647,008 | 24,273 | Cummins Inc. | 485,949 | 102,613 |
| Jefferies Financial Group Inc. | 1,340,409 | 24,127 | Illinois Tool Works Inc. | 521,605 | 100,779 |
| T. Rowe Price Group Inc. | 186,253 | 23,881 | Fastenal Co. | 2,035,745 | 91,792 |
| Cullen/Frost Bankers Inc. | 319,063 | 20,404 | CH Robinson Worldwide Inc. | 771,067 | 78,795 |
| Bank of New York Mellon Corp. | 573,569 | 19,696 | 3M Co. | 460,964 | 73,837 |
| PacWest Bancorp | 900,114 | 15,374 | Nielsen Holdings plc | 3,485,570 | 49,425 |
| Cincinnati Financial Corp. | 153,117 | 11,939 | Watsco Inc. | 194,164 | 45,219 |
| First Horizon National Corp. | 1,217,548 | 11,481 | MSC Industrial Direct Co. Inc. Class A | 462,998 | 29,299 |
| MGIC Investment Corp. | 1,048,139 | 9,287 | General Electric Co. | 4,314,703 | 26,881 |
| Prosperity Bancshares Inc. | 146,367 | 7,586 | GATX Corp. | 282,574 | 18,014 |
| Comerica Inc. | 157,980 | 6,043 | Hubbell Inc. Class B | 70,468 | 9,643 |
| People's United Financial Inc. | 481,799 | 4,967 | | | 3,897,282 |
| | | 6,008,654 | Information Technology (11.2%) | | |
| Health Care (17.8%) | | | Cisco Systems Inc. | 20,824,124 | 820,262 |
| Johnson & Johnson | 10,856,638 | 1,616,336 | Intel Corp. | 13,710,405 | 709,925 |
| Pfizer Inc. | 25,106,895 | 921,423 | Corning Inc. | 12,061,227 | 390,904 |
| Merck & Co. Inc. | 8,831,756 | 732,594 | TE Connectivity Ltd. | 3,355,385 | 327,955 |
| Medtronic plc | 4,853,498 | 504,376 | Automatic Data Processing Inc. | 1,969,143 | 274,676 |
| UnitedHealth Group Inc. | 1,500,328 | 467,757 | KLA Corp. | 1,277,138 | 247,433 |
| Eli Lilly and Co. | 2,969,820 | 439,593 | QUALCOMM Inc. | 1,957,575 | 230,367 |
| AstraZeneca plc ADR | 4,876,546 | 267,235 | Texas Instruments Inc. | 1,593,578 | 227,547 |
| CVS Health Corp. | 4,516,661 | 263,773 | Analog Devices Inc. | 1,753,438 | 204,696 |
| Roche Holding AG | 728,283 | 249,466 | International Business Machines Corp. | 1,432,307 | 174,269 |
| Novartis Inc. | 2,581,231 | 224,114 | HP Inc. | 5,332,849 | 101,271 |
| AbbVie Inc. | 2,100,210 | 183,957 | Broadcom Inc. | 277,397 | 101,061 |
| | | | Seagate Technology plc | 1,654,044 | 81,495 |
| | | | Western Union Co. | 1,954,396 | 41,883 |
| | | | | | 3,933,744 |

Equity Income Fund

| | Shares | Market Value* (\$000) | | Shares | Market Value* (\$000) |
|--|-----------|--------------------------|--|-----------|--------------------------|
| Materials (3.0%) | | | Temporary Cash Investments (2.2%) | | |
| Celanese Corp. Class A | 2,447,444 | 262,978 | Money Market Fund (1.6%) | | |
| PPG Industries Inc. | 2,149,027 | 262,353 | 1.2 Vanguard Market Liquidity | | |
| Linde plc | 415,731 | 98,998 | Fund, 0.117% | 5,743,647 | 574,365 |
| International Paper Co. | 2,073,500 | 84,060 | | Face | |
| Corteva Inc. | 2,579,729 | 74,322 | | Amount | |
| Dow Inc. | 908,779 | 42,758 | | (\$000) | |
| Reliance Steel & Aluminum Co. | 400,422 | 40,859 | Repurchase Agreements (0.5%) | | |
| Air Products & Chemicals Inc. | 121,472 | 36,182 | Goldman Sachs & Co. | | |
| DuPont de Nemours Inc. | 538,525 | 29,877 | 0.07%, 10/1/20 (Dated | | |
| Huntsman Corp. | 1,320,123 | 29,320 | 9/30/20, Repurchased | | |
| Scotts Miracle-Gro Co. | 187,447 | 28,662 | Value \$41,200,000, | | |
| CF Industries Holdings Inc. | 812,959 | 24,966 | collateralized by | | |
| Greif Inc. Class A | 460,187 | 16,663 | Federal Home | | |
| Packaging Corp. of America | 127,529 | 13,907 | Loan Mortgage | | |
| Westrock Co. | 315,388 | 10,957 | Corp. 4.000%–6.000%, | | |
| | | 1,056,862 | 3/1/34–3/1/50, Federal | | |
| | | | National Mortgage Assn. | | |
| | | | 2.500%–5.500%, | | |
| | | | 1/1/23–1/1/49, and | | |
| | | | Government National | | |
| | | | Mortgage Assn. 4.500%, | | |
| | | | 8/20/49, with a value of | | |
| | | | \$42,024,000) | | |
| | | | 41,200 | 41,200 | |
| Real Estate (1.3%) | | | Nomura International plc | | |
| Crown Castle International Corp. | 2,679,713 | 446,172 | 0.06%, 10/1/20 | | |
| | | | (Dated 9/30/20, | | |
| | | | Repurchased Value | | |
| | | | \$39,200,000, | | |
| | | | collateralized by | | |
| | | | U.S. Treasury Note | | |
| | | | 1.750%–2.875%, | | |
| | | | 11/15/20–10/31/23, | | |
| | | | with a value of | | |
| | | | \$39,984,000) | | |
| | | | 39,200 | 39,200 | |
| | | | RBS Securities, Inc. | | |
| | | | 0.06%, 10/1/20 | | |
| | | | (Dated 9/30/20, | | |
| | | | Repurchased Value | | |
| | | | \$35,300,000, | | |
| | | | collateralized by | | |
| | | | U.S. Treasury Note, | | |
| | | | 0.125%, 7/15/22, | | |
| | | | with a value of | | |
| | | | \$36,006,000) | | |
| | | | 35,300 | 35,300 | |
| Utilities (8.1%) | | | | | |
| Dominion Energy Inc. | 5,711,319 | 450,794 | | | |
| Sempra Energy | 3,535,364 | 418,446 | | | |
| Exelon Corp. | 9,870,535 | 352,970 | | | |
| Duke Energy Corp. | 3,432,119 | 303,949 | | | |
| American Electric Power Co. Inc. | 3,069,473 | 250,868 | | | |
| Eversource Energy | 1,741,950 | 145,540 | | | |
| Southern Co. | 2,475,635 | 134,229 | | | |
| NextEra Energy Inc. | 429,303 | 119,157 | | | |
| FirstEnergy Corp. | 3,882,766 | 111,474 | | | |
| AES Corp. | 5,123,707 | 92,790 | | | |
| UGI Corp. | 2,614,026 | 86,211 | | | |
| Entergy Corp. | 639,834 | 63,043 | | | |
| WEC Energy Group Inc. | 622,378 | 60,308 | | | |
| PPL Corp. | 2,174,718 | 59,174 | | | |
| PNM Resources Inc. | 1,291,701 | 53,386 | | | |
| Eergy Inc. | 917,504 | 46,628 | | | |
| Ameren Corp. | 555,728 | 43,947 | | | |
| IDACORP Inc. | 366,477 | 29,282 | | | |
| CenterPoint Energy Inc. Public Service | 1,215,358 | 23,517 | | | |
| Enterprise Group Inc. | 379,986 | 20,865 | | | |
| Pinnacle West Capital Corp. | 84,392 | 6,291 | | | |
| | | 2,872,869 | | | |
| Total Common Stocks | | | | | |
| (Cost \$28,974,746) | | 34,811,233 | | | |

Equity Income Fund

| | Face Amount (\$000) | Market Value* (\$000) | Face Amount (\$000) | Market Value* (\$000) |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Society Generale 0.06%, 10/1/20 (Dated 9/30/20, Repurchased Value \$38,700,000, collateralized by U.S. Treasury Note/Bill/Bond 0.000%–7.500%, 10/15/20–5/31/25, Government National Mortgage Assn. 2.000%–3.250%, 12/20/26–9/20/50, Federal National Mortgage Assn. 2.500%–4.500%, 12/1/47–6/1/50, and Federal Home Loan Mortgage Corp. 3.698%–4.500%, 2/1/26–5/1/49, with a value of \$39,474,000) | 38,700 | 38,700 | | |
| | | <u>154,400</u> | | |
| U.S. Government and Agency Obligations (0.1%) | | | | |
| ³ United States Cash Management Bill, 0.146%, 12/15/20 | | | 4,200 | 4,199 |
| United States Treasury Bill, 0.095%, 1/28/21 | | | 35,800 | 35,788 |
| | | | | <u>39,987</u> |
| Total Temporary Cash Investments (Cost \$768,523) | | | | 768,752 |
| Total Investments (100.8%) (Cost \$29,743,269) | | | | 35,579,985 |
| Other Assets and Liabilities— Net (-0.8%) | | | | (281,743) |
| Net Assets (100%) | | | | 35,298,242 |
| Cost is in \$000. | | | | |
| • See Note A in Notes to Financial Statements. | | | | |
| ^A Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$125,943,000. | | | | |
| ¹ Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield. | | | | |
| ² Collateral of \$138,000,000 was received for securities on loan. | | | | |
| ³ Securities with a value of \$4,199,000 have been segregated as initial margin for open futures contracts. | | | | |
| ADR—American Depositary Receipt. | | | | |

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

| | | | (\$000) | |
|-------------------------------|---------------|--|--------------------|---|
| | Expiration | Number of Long (Short) Contracts | Notional Amount | Value and Unrealized Appreciation (Depreciation) |
| Long Futures Contracts | | | | |
| E-mini S&P 500 Index | December 2020 | 2,511 | 420,844 | 3,459 |

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

Statement of Assets and Liabilities

As of September 30, 2020

| (\$000s, except shares and per-share amounts) | Amount |
|---|-------------------|
| Assets | |
| Investments in Securities, at Value | |
| Unaffiliated Issuers (Cost \$29,169,134) | 35,005,620 |
| Affiliated Issuers (Cost \$574,135) | 574,365 |
| Total Investments in Securities | 35,579,985 |
| Investment in Vanguard | 1,479 |
| Cash Collateral Pledged—Futures Contracts | 31,534 |
| Receivables for Investment Securities Sold | 25,471 |
| Receivables for Accrued Income | 65,338 |
| Receivables for Capital Shares Issued | 34,701 |
| Variation Margin Receivable—Futures Contracts | 2,758 |
| Total Assets | 35,741,266 |
| Liabilities | |
| Due to Custodian | 30,606 |
| Payables for Investment Securities Purchased | 162,080 |
| Collateral for Securities on Loan | 138,000 |
| Payables to Investment Advisor | 7,926 |
| Payables for Capital Shares Redeemed | 102,507 |
| Payables to Vanguard | 1,905 |
| Total Liabilities | 443,024 |
| Net Assets | 35,298,242 |

At September 30, 2020, net assets consisted of:

| | |
|-------------------------------------|-------------------|
| Paid-in Capital | 29,512,734 |
| Total Distributable Earnings (Loss) | 5,785,508 |
| Net Assets | 35,298,242 |

Investor Shares—Net Assets

| | |
|--|----------------|
| Applicable to 132,792,251 outstanding \$.001 par value shares of beneficial interest (unlimited authorization) | 4,482,086 |
| Net Asset Value Per Share—Investor Shares | \$33.75 |

Admiral Shares—Net Assets

| | |
|--|----------------|
| Applicable to 435,683,297 outstanding \$.001 par value shares of beneficial interest (unlimited authorization) | 30,816,156 |
| Net Asset Value Per Share—Admiral Shares | \$70.73 |

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

Statement of Operations

Year Ended
September 30, 2020
(\$000)

| | |
|--|--------------------|
| Investment Income | |
| Income | |
| Dividends ¹ | 1,118,653 |
| Interest ² | 9,054 |
| Securities Lending—Net | 423 |
| Total Income | 1,128,130 |
| Expenses | |
| Investment Advisory Fees—Note B | |
| Basic Fee | 28,974 |
| Performance Adjustment | 4,658 |
| The Vanguard Group—Note C | |
| Management and Administrative—Investor Shares | 8,502 |
| Management and Administrative—Admiral Shares | 25,934 |
| Marketing and Distribution—Investor Shares | 565 |
| Marketing and Distribution—Admiral Shares | 2,096 |
| Custodian Fees | 206 |
| Auditing Fees | 24 |
| Shareholders' Reports—Investor Shares | 116 |
| Shareholders' Reports—Admiral Shares | 346 |
| Trustees' Fees and Expenses | 50 |
| Total Expenses | 71,471 |
| Net Investment Income | 1,056,659 |
| Realized Net Gain (Loss) | |
| Investment Securities Sold ² | (60,132) |
| Futures Contracts | 69,768 |
| Foreign Currencies | 206 |
| Realized Net Gain (Loss) | 9,842 |
| Change in Unrealized Appreciation (Depreciation) | |
| Investment Securities ² | (2,288,745) |
| Futures Contracts | 10,105 |
| Foreign Currencies | 912 |
| Change in Unrealized Appreciation (Depreciation) | (2,277,728) |
| Net Increase (Decrease) in Net Assets Resulting from Operations | (1,211,227) |

1 Dividends are net of foreign withholding taxes of \$8,231,000.

2 Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$6,622,000, \$476,000, and \$158,000, respectively. Purchases and sales are for temporary cash investment purposes.

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

Statement of Changes in Net Assets

| | Year Ended September 30, | |
|---|--------------------------|-----------------|
| | 2020 (\$000) | 2019 (\$000) |
| Increase (Decrease) in Net Assets | | |
| Operations | | |
| Net Investment Income | 1,056,659 | 983,212 |
| Realized Net Gain (Loss) | 9,842 | 617,690 |
| Change in Unrealized Appreciation (Depreciation) | (2,277,728) | 605,893 |
| Net Increase (Decrease) in Net Assets Resulting from Operations | (1,211,227) | 2,206,795 |
| Distributions¹ | | |
| Investor Shares | (244,854) | (512,409) |
| Admiral Shares | (1,510,435) | (2,628,434) |
| Total Distributions | (1,755,289) | (3,140,843) |
| Capital Share Transactions | | |
| Investor Shares | (565,450) | (80,311) |
| Admiral Shares | 2,380,683 | 4,088,282 |
| Net Increase (Decrease) from Capital Share Transactions | 1,815,233 | 4,007,971 |
| Total Increase (Decrease) | (1,151,283) | 3,073,923 |
| Net Assets | | |
| Beginning of Period | 36,449,525 | 33,375,602 |
| End of Period | 35,298,242 | 36,449,525 |

¹ Certain prior-period numbers have been reclassified to conform with the current-period presentation.

Financial Highlights

Investor Shares

| For a Share Outstanding Throughout Each Period | Year Ended September 30, | | | | |
|---|--------------------------|--------------------|-------------------|-------------------|----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Net Asset Value, Beginning of Period | \$36.51 | \$37.98 | \$35.64 | \$31.69 | \$28.78 |
| Investment Operations | | | | | |
| Net Investment Income | 1.000 ¹ | 1.002 ¹ | .965 ¹ | .908 ¹ | .909 |
| Net Realized and Unrealized Gain (Loss) on Investments | (2.067) | .972 | 2.764 | 4.292 | 3.912 |
| Total from Investment Operations | (1.067) | 1.974 | 3.729 | 5.200 | 4.821 |
| Distributions | | | | | |
| Dividends from Net Investment Income | (1.034) | (.997) | (.943) | (.912) | (.895) |
| Distributions from Realized Capital Gains | (.659) | (2.447) | (.446) | (.338) | (1.016) |
| Total Distributions | (1.693) | (3.444) | (1.389) | (1.250) | (1.911) |
| Net Asset Value, End of Period | \$33.75 | \$36.51 | \$37.98 | \$35.64 | \$31.69 |
| Total Return² | -2.87% | 6.43% | 10.58% | 16.68% | 17.21% |

Ratios/Supplemental Data

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Net Assets, End of Period (Millions) | \$4,482 | \$5,478 | \$5,751 | \$6,002 | \$5,487 |
| Ratio of Total Expenses to Average Net Assets ³ | 0.28% | 0.27% | 0.27% | 0.26% | 0.26% |
| Ratio of Net Investment Income to Average Net Assets | 2.89% | 2.84% | 2.60% | 2.70% | 3.00% |
| Portfolio Turnover Rate | 35% | 32% | 37% | 28% | 26% |

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

Financial Highlights

Admiral Shares

| For a Share Outstanding Throughout Each Period | Year Ended September 30, | | | | |
|---|--------------------------|--------------------|--------------------|--------------------|----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Net Asset Value, Beginning of Period | \$76.52 | \$79.61 | \$74.69 | \$66.43 | \$60.31 |
| Investment Operations | | | | | |
| Net Investment Income | 2.159 ¹ | 2.167 ¹ | 2.099 ¹ | 1.968 ¹ | 1.963 |
| Net Realized and Unrealized Gain (Loss) on Investments | (4.331) | 2.028 | 5.806 | 8.977 | 8.219 |
| Total from Investment Operations | (2.172) | 4.195 | 7.905 | 10.945 | 10.182 |
| Distributions | | | | | |
| Dividends from Net Investment Income | (2.236) | (2.156) | (2.048) | (1.977) | (1.932) |
| Distributions from Realized Capital Gains | (1.382) | (5.129) | (.937) | (.708) | (2.130) |
| Total Distributions | (3.618) | (7.285) | (2.985) | (2.685) | (4.062) |
| Net Asset Value, End of Period | \$70.73 | \$76.52 | \$79.61 | \$74.69 | \$66.43 |
| Total Return² | -2.77% | 6.51% | 10.70% | 16.75% | 17.35% |

Ratios/Supplemental Data

| | | | | | |
|---|----------|----------|----------|----------|----------|
| Net Assets, End of Period (Millions) | \$30,816 | \$30,972 | \$27,625 | \$23,373 | \$18,115 |
| Ratio of Total Expenses to Average Net Assets ³ | 0.19% | 0.18% | 0.18% | 0.17% | 0.17% |
| Ratio of Net Investment Income to Average Net Assets | 2.98% | 2.93% | 2.69% | 2.79% | 3.09% |
| Portfolio Turnover Rate | 35% | 32% | 37% | 28% | 26% |

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

Notes to Financial Statements

Vanguard Equity Income Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund offers two classes of shares: Investor Shares, and Admiral Shares. Each of the share classes has different eligibility and minimum purchase requirements, and is designed for different types of investors.

Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect assets of the fund and thus fund performance.

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

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

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

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

clearinghouse imposes initial margin requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any 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 year ended September 30, 2020, the fund's average investments in long and short futures contracts represented 2% and 0% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

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

5. Federal Income Taxes: The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. 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.

6. Distributions: Distributions to shareholders are recorded on the ex-dividend date. 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.

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

collateral mitigates counterparty risk, in the event of a default, the fund may experience delays and costs in recovering the securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of 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.

8. 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, 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; these fees are allocated to the funds based on a method approved by the fund’s board of trustees and included in Management and Administrative expenses on the fund’s Statement of Operations. Any borrowings under either facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate (or an acceptable alternate rate, if necessary), federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread, except that borrowings under the uncommitted credit facility may bear interest based upon an alternative 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 year ended September 30, 2020, the fund did not utilize the credit facilities or the Interfund Lending Program.

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

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

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

B. Wellington Manager Company LLP provides investment advisory services to a portion of the fund for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee is subject to quarterly adjustments based on performance relative to the FTSE High Dividend Yield Index for the preceding three years.

Vanguard provides investment advisory services to a portion of the fund as described below; the fund paid Vanguard advisory fees of \$2,189,000 for the year ended September 30, 2020.

For the year ended September 30, 2020, the aggregate investment advisory fee paid to all advisors represented an effective annual basic rate of 0.08% of the fund's average net assets, before an increase of \$4,658,000 (0.01%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees 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 September 30, 2020, the fund had contributed to Vanguard capital in the amount of \$1,479,000, representing less than 0.01% of the fund's net assets and 0.59% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

D. Various inputs may be used to determine the value of the fund's investments 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.

Equity Income Fund

The following table summarizes the market value of the fund's investments and derivatives as of September 30, 2020, based on the inputs used to value them:

| | Level 1 (\$000) | Level 2 (\$000) | Level 3 (\$000) | Total (\$000) |
|---|--------------------|--------------------|--------------------|------------------|
| Investments | | | | |
| Assets | | | | |
| Common Stocks | 34,250,988 | 560,245 | — | 34,811,233 |
| Temporary Cash Investments | 574,365 | 194,387 | — | 768,752 |
| Total | 34,825,353 | 754,632 | — | 35,579,985 |
| Derivative Financial Instruments | | | | |
| Assets | | | | |
| Futures Contracts ¹ | 2,758 | — | — | 2,758 |

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

E. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for foreign currency transactions were reclassified between the individual components of total distributable earnings (loss).

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. The differences are primarily related to the deferral of losses from wash sales; the recognition of unrealized gains or losses from certain derivative contracts; the inclusion of payables for distributions; and the deferral of qualified late-year losses. As of period end, the tax-basis components of total distributable earnings (loss) are detailed in the table as follows:

| | Amount (\$000) |
|-------------------------------|-------------------|
| Undistributed Ordinary Income | 15,219 |
| Undistributed Long-Term Gains | — |
| Capital Loss Carryforwards | — |
| Qualified Late-Year Losses | (60,837) |
| Net Unrealized Gains (Losses) | 5,831,126 |

Equity Income Fund

The tax character of distributions paid was as follows:

| | Year Ended September 30, | |
|-------------------------|---------------------------|---------------------------|
| | 2020 Amount (\$000) | 2019 Amount (\$000) |
| Ordinary Income* | 1,097,069 | 973,278 |
| Long-Term Capital Gains | 658,220 | 2,167,565 |
| Total | 1,755,289 | 3,140,843 |

* Includes short-term capital gains, if any.

As of September 30, 2020, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

| | Amount (\$000) |
|--|-------------------|
| Tax Cost | 29,749,687 |
| Gross Unrealized Appreciation | 7,962,685 |
| Gross Unrealized Depreciation | (2,132,387) |
| Net Unrealized Appreciation (Depreciation) | 5,830,298 |

F. During the year ended September 30, 2020, the fund purchased \$13,811,276,000 of investment securities and sold \$12,149,373,000 of investment securities, other than temporary cash investments.

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

| | Year Ended September 30, | | | |
|---|--------------------------|-----------------|-------------------|-----------------|
| | 2020 | | 2019 | |
| | Amount (\$000) | Shares (000) | Amount (\$000) | Shares (000) |
| Investor Shares | | | | |
| Issued | 748,125 | 21,799 | 759,175 | 21,574 |
| Issued in Lieu of Cash Distributions | 224,894 | 6,622 | 470,885 | 14,402 |
| Redeemed | (1,538,469) | (45,669) | (1,310,371) | (37,346) |
| Net Increase (Decrease)—Investor Shares | (565,450) | (17,248) | (80,311) | (1,370) |
| Admiral Shares | | | | |
| Issued | 7,839,439 | 109,634 | 6,255,827 | 85,222 |
| Issued in Lieu of Cash Distributions | 1,305,973 | 18,414 | 2,281,462 | 33,225 |
| Redeemed | (6,764,729) | (97,111) | (4,449,007) | (60,721) |
| Net Increase (Decrease)—Admiral Shares | 2,380,683 | 30,937 | 4,088,282 | 57,726 |

H. Management has determined that no events or transactions occurred subsequent to September 30, 2020, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Fenway Funds and Shareholders of Vanguard Equity Income Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Vanguard Equity Income Fund (one of the funds constituting Vanguard Fenway Funds, referred to hereafter as the “Fund”) as of September 30, 2020, the related statement of operations for the year ended September 30, 2020, the statement of changes in net assets for each of the two years in the period ended September 30, 2020, including the related notes, and the financial highlights for each of the five years in the period ended September 30, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended September 30, 2020 and the financial highlights for each of the five years in the period ended September 30, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of September 30, 2020 by correspondence with the custodian and brokers and by agreement to the underlying ownership records of the transfer agent; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
November 17, 2020

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

Special 2020 tax information (unaudited) for Vanguard Equity Income Fund

This information for the fiscal year ended September 30, 2020, is included pursuant to provisions of the Internal Revenue Code.

The fund distributed \$658,220,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

For nonresident alien shareholders, 100% of short-term capital gain dividends distributed by the fund are qualified short-term capital gains.

The fund distributed \$1,097,058,000 of qualified dividend income to shareholders during the fiscal year.

For corporate shareholders, 95.8% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

The People Who Govern Your Fund

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

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

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

Interested Trustee¹

Mortimer J. Buckley

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

Independent Trustees

Emerson U. Fullwood

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

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

Amy Gutmann

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

F. Joseph Loughrey

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

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

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

Mark Loughridge

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

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (retired June 2020) and vice president (retired June 2020) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee (retired June 2020). Member of the board of Catholic Investment Services, Inc. (investment advisors) and the board of superintendence of the Institute for the Works of Religion.

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: board chair (2020–present), chief executive officer (2011–2020), and president (2010–2019) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of the individual life and disability division of Guardian Life. Member of the board of the American Council of Life Insurers and the board of the Economic Club of New York. Trustee of the Partnership for New York City (business leadership), Chief Executives for Corporate Purpose, NewYork-Presbyterian Hospital, Catalyst, and the Bruce Museum (arts and science). Member of the Advisory Council for the Stanford Graduate School of Business.

André F. Perold

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

Sarah Bloom Raskin

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

Peter F. Volanakis

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

Executive Officers

John Bendl

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

Christine M. Buchanan

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

David Cermak

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

John Galloway

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Investment stewardship officer (September 2020–present) of each of the investment companies served by Vanguard. Head of Investor Advocacy (February 2020–present) and head of Marketing Strategy and Planning (2017–2020) at Vanguard. Deputy assistant to the President of the United States (2015).

Thomas J. Higgins

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

Peter Mahoney

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

Anne E. Robinson

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

Michael Rollings

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

John E. Schadt

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

Vanguard Senior Management Team

Joseph Brennan
Mortimer J. Buckley
Gregory Davis
John James
John T. Marcante
Chris D. McIsaac

James M. Norris
Thomas M. Rampulla
Karin A. Risi
Anne E. Robinson
Michael Rollings
Lauren Valente



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

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

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

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

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