

**Annual Report** | September 30, 2022

# Vanguard Equity Income Fund

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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

- The 12 months ended September 30, 2022, were a challenging period for financial markets. Vanguard Equity Income Fund returned -4.67% for Investor Shares and -4.58% for Admiral Shares. The fund outpaced its benchmark, which returned -5.30%.
- Early on, pent-up demand helped spur global growth and push unemployment rates down. The economic backdrop deteriorated, however, as inflation soared to multidecade highs, fueled in part by higher energy and food prices in the wake of Russia's invasion of Ukraine. Then price increases broadened to other categories of goods and services, adding to concerns that inflation would remain stubbornly high. That prompted aggressive tightening by the Federal Reserve to bring inflation back in check and increased fears of a recession.
- The fund's two advisors focus on investing in large-capitalization value companies with higher yields, and they emphasize dividends. That focus helped the fund's relative performance during the period, as value stocks generally outperformed their growth counterparts.
- From a sector perspective, the greatest positive contribution came from consumer discretionary and financials. Energy and health care were the biggest detractors.

### Market Barometer

	Average Annual Total Returns Periods Ended September 30, 2022		
	One Year	Three Years	Five Years
<b>Stocks</b>			
Russell 1000 Index (Large-caps)	-17.22%	7.95%	9.00%
Russell 2000 Index (Small-caps)	-23.50	4.29	3.55
Russell 3000 Index (Broad U.S. market)	-17.63	7.70	8.62
FTSE All-World ex US Index (International)	-24.76	-0.95	-0.38
<b>Bonds</b>			
Bloomberg U.S. Aggregate Float Adjusted Index (Broad taxable market)	-14.61%	-3.22%	-0.23%
Bloomberg Municipal Bond Index (Broad tax-exempt market)	-11.50	-1.85	0.59
FTSE Three-Month U.S. Treasury Bill Index	0.63	0.57	1.12
<b>CPI</b>			
Consumer Price Index	8.20%	4.95%	3.76%

# Advisors' Report

For the fiscal year ended September 30, 2022, Vanguard Equity Income Fund returned -4.67% for Investor Shares and -4.58% for Admiral Shares. While performance was negative, the fund outpaced its benchmark, which returned -5.30%. Your fund is managed by Wellington Management Company LLP 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 on page 7 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 18, 2022.

## **Wellington Management Company LLP**

Portfolio Manager:

Matthew C. Hand, CFA  
Managing Director

U.S. equities fell over the year ended September 30, 2022. Markets rallied early in the period on the back of robust equity inflows, strong corporate earnings, favorable economic data, and extremely accommodative financial conditions.

However, the rapid spread of the Omicron variant led to the largest increase in U.S. COVID-19 cases since the onset of the pandemic, prompting a flurry of new restrictions and event cancellations. Inflation continued to surge against a backdrop of severe supply and labor shortages, rising energy prices, high demand for goods and services, and heightening scrutiny of the U.S. Federal Reserve amid anxiety about a potential policy mistake.

Equity markets fell sharply in the second quarter of 2022, when rampant inflation and tighter financial conditions hurt risk sentiment and increased the probability of recession. Rapidly rising prices for food and energy pushed consumer inflation to its highest level in more than four decades. Growth stocks significantly underperformed their value counterparts as surging Treasury yields and disappointing earnings results from some of the largest technology companies drove the Nasdaq Composite Index to its biggest quarterly loss since September 2001.

Equity market weakness persisted through the end of the period. Risk sentiment deteriorated on fears that aggressive interest rate hikes and tighter financial conditions would constrict economic growth and drive the U.S. to recession. Despite these concerns, Fed Chair Jerome Powell made clear that the central bank is committed to raising interest rates and keeping them elevated until clear evidence shows that price pressures are abating.

During the fiscal year, sector allocation, a result of our bottom-up stock selection process, contributed most to relative outperformance in our portion of the fund. Our overweight to health care and underweight to communication services drove returns, while our overweight to real estate and underweight to energy detracted. Security selection also added to relative results in financials, consumer discretionary, and industrials. This was partially offset by negative selection in health care, information technology, and energy.

From an individual stock perspective, the largest contributors to relative performance were U.S.-based exploration and production companies Pioneer Natural Resources and ConocoPhillips and not holding Intel, a U.S.-based semiconductor chip manufacturer. The largest detractors were not holding benchmark constituents ExxonMobil and Chevron, both U.S.-based globally integrated oil and gas companies, and not holding AbbVie, a U.S.-based pharmaceuticals company.

At the end of the period, our portion of the fund was most overweight in health care, information technology, and real estate. Financials, communication services, and consumer staples were our largest underweights.

Notable purchases during the year included EOG Resources, Atmos Energy, and Coterra Energy. EOG Resources is a U.S.-based exploration and production company. The stock discounted a lower energy price while offering more diversification of its resource base and

solid execution around cost inflation by management. We also favored EOG's opportunistic, more cross-cycle and balanced capital returns profile.

Atmos Energy is a fully integrated gas utility company. Its stock traded at a reasonable valuation despite our view of the company as higher quality, evidenced by its low leverage and strong outlook for asset base growth. We see this quality as sustainable because of the firm's focus on maintenance, reliability, and emissions reduction. We also regard its 2.4% yield as sustainable, with a below-peer payout ratio.

Coterra Energy is a U.S.-based diversified energy company created from a strategic merger between Cabot Oil & Gas and Cimarex Energy. We favored the 50/50 balance of its oil and gas businesses and the more defensive "all-weather" profile it provides, even in more challenged markets. In addition, both of the merged companies have a good cost structure, strong balance sheets, and attractive reserves life. In terms of valuation, Coterra's stock was trading more cheaply than its peers and the stated dividend policy made its capital return profile attractive.

Significant eliminations included Bank of America, Progressive, and Lockheed Martin. We eliminated our position in Bank of America to fund other financials with more compelling risk/reward profiles, such as M&T Bank and JPMorgan Chase. Shares of Progressive and Lockheed Martin both rallied notably during the period. We saw more balanced trade-offs

at these higher levels and redeployed the sales proceeds elsewhere.

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 Manager

Sharon Hill, Ph.D., head of the Alpha Equity Global and Income Investment team within Vanguard's Quantitative Equity Group

The 12 months ended September 30, 2022, were a challenging period for financial markets. Early on, pent-up demand helped spur global growth and push unemployment rates down. The economic backdrop deteriorated, however, as inflation soared to multidecade highs, fueled in part by higher energy and food prices in the wake of Russia's invasion of Ukraine. Then price increases broadened to other categories of goods and services, adding to concerns that inflation would remain stubbornly high. That prompted aggressive tightening by the Federal Reserve to bring inflation back in check and increased fears of a recession.

The Russell 3000 Index, the benchmark for the entire U.S. stock market, returned -17.63% for the fiscal year. Although still in negative territory, dividend-paying stocks fared much better than the broader market.

Although it's important to understand how overall performance is affected by macro factors, our approach to investing focuses on stock-specific fundamentals. During the year, we further customized our stock-selection model, transitioning from our previous six-characteristic approach to a model with four main themes to increase our emphasis on dividends and cash flow.

Our four themes, or "sub-models," are (1) sustainable dividend growth—a record of increasing dividends over the long- and medium-term, coupled with reasonable payout ratios and healthy cash flow growth; (2) sentiment—indications from market participants that there may be good future prospects, such as low or declining levels of short interest or optimism throughout the supply chain; (3) quality—indicators of a healthy balance sheet and stable fundamentals; and (4) valuation—a diversified basket of long-, medium-, and near-term valuation metrics that can draw finer distinctions within the stocks in our benchmark, which tend to embody value characteristics because of the focus on high dividend yield.

Using these four themes, we generate a daily composite stock ranking, just as we did when we used six themes. 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 exposures and other risks relative to our benchmark).

The sentiment component of the model performed best over the year, whereas valuation performed the worst. Our strongest sector results were in materials, consumer discretionary, and consumer staples, primarily due to stock selection. The largest sector detractors were in financials, industrials, and health care.

At the stock level, top contributors included overweight positions in

consumer discretionary stock H&R Block, energy firm EOG Resources, and financial company Unum Group. Detractors included underweight positions in energy stocks ConocoPhillips and ExxonMobil—particularly as energy stocks performed very well during the year—and an overweight to consumer financial firm Ally Financial.

#### Vanguard Equity Income Fund Investment Advisors

Investment Advisor	Fund Assets Managed		Investment Strategy
	%	\$ Million	
Wellington Management Company LLP	64	30,481	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	16,385	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	2	995	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.

## 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, 2022

	Beginning Account Value 3/31/2022	Ending Account Value 9/30/2022	Expenses Paid During Period
<b>Based on Actual Fund Return</b>			
Equity Income Fund			
Investor Shares	\$1,000.00	\$867.40	\$1.31
Admiral™ Shares	1,000.00	868.00	0.89
<b>Based on Hypothetical 5% Yearly Return</b>			
Equity Income Fund			
Investor Shares	\$1,000.00	\$1,023.67	\$1.42
Admiral Shares	1,000.00	1,024.12	0.96

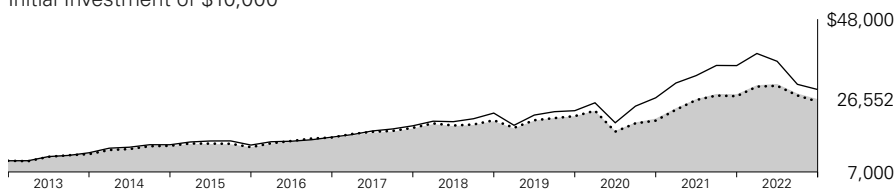
The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.28% for Investor Shares and 0.19% for Admiral Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied 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 (183/365).

# 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](http://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, 2012, Through September 30, 2022  
Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended September 30, 2022			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
Equity Income Fund Investor Shares	-4.67%	7.32%	10.26%	\$26,552
FTSE High Dividend Yield Index	-5.30	6.56	9.97	25,874
Dow Jones U.S. Total Stock Market Float Adjusted Index	-18.05	8.48	11.28	29,120

	One Year	Five Years	Ten Years	Final Value of a \$50,000 Investment
Equity Income Fund Admiral Shares	-4.58%	7.42%	10.36%	\$134,006
FTSE High Dividend Yield Index	-5.30	6.56	9.97	129,371
Dow Jones U.S. Total Stock Market Float Adjusted Index	-18.05	8.48	11.28	145,598

See Financial Highlights for dividend and capital gains information.

## Fund Allocation

As of September 30, 2022

Communication Services	2.3%
Consumer Discretionary	6.3
Consumer Staples	12.7
Energy	9.5
Financials	18.0
Health Care	18.8
Industrials	9.1
Information Technology	9.6
Materials	4.0
Real Estate	1.2
Utilities	8.5

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.

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, 2022

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>Common Stocks (97.1%)</b>					
<b>Communication Services (2.3%)</b>			<b>Nu Skin Enterprises Inc. Class A</b>		
Comcast Corp. Class A	23,449,815	687,783		372,121	12,418
Verizon Communications Inc.	6,393,626	242,766	<b>5,912,297</b>		
AT&T Inc.	4,186,547	64,222	<b>Energy (9.2%)</b>		
Interpublic Group of Cos. Inc.	2,230,706	57,106	ConocoPhillips	10,350,252	1,059,245
Omnicom Group Inc.	455,653	28,747	EOG Resources Inc.	6,913,728	772,471
		<b>1,080,624</b>	Coterra Energy Inc.	20,339,914	531,279
<b>Consumer Discretionary (6.2%)</b>			Exxon Mobil Corp.	4,478,183	390,990
Home Depot Inc.	3,204,459	884,238	Chevron Corp.	2,324,273	333,928
TJX Cos. Inc.	7,827,160	486,223	Phillips 66	4,013,832	323,997
Lowe's Cos. Inc.	2,122,255	398,581	TC Energy Corp.	7,630,740	307,362
Lennar Corp. Class A	4,296,981	320,340	Pioneer Natural Resources Co.	1,292,094	279,777
Starbucks Corp.	2,483,915	209,295	Marathon Petroleum Corp.	1,621,776	161,091
McDonald's Corp.	887,079	204,685	Diamondback Energy Inc.	877,134	105,660
Target Corp.	1,006,705	149,385	Valero Energy Corp.	659,759	70,495
Best Buy Co. Inc.	1,476,623	93,529	Targa Resources Corp.	609,381	36,770
H&R Block Inc.	1,983,358	84,372	APA Corp.	972,830	33,261
Whirlpool Corp.	309,289	41,695	Halliburton Co.	871,300	21,451
Advance Auto Parts Inc.	266,019	41,589			<b>4,427,777</b>
Genuine Parts Co.	221,931	33,139	<b>Financials (17.4%)</b>		
		<b>2,947,071</b>	JPMorgan Chase & Co.	13,829,832	1,445,217
<b>Consumer Staples (12.3%)</b>			Morgan Stanley	11,718,854	925,907
Procter & Gamble Co.	6,677,519	843,037	MetLife Inc.	12,827,164	779,635
Philip Morris International Inc.	7,888,099	654,791	Chubb Ltd.	3,340,294	607,533
Mondelez International Inc. Class A	11,830,956	648,691	M&T Bank Corp.	2,927,431	516,165
Unilever plc ADR	13,321,083	583,996	Blackstone Inc.	4,693,217	392,822
Archer-Daniels-Midland Co.	6,857,451	551,682	Bank of America Corp.	11,781,594	355,804
PepsiCo Inc.	3,009,897	491,396	Royal Bank of Canada	3,852,301	346,842
Kellogg Co.	5,125,857	357,067	Truist Financial Corp.	7,803,037	339,744
Walmart Inc.	2,544,552	330,028	PNC Financial Services Group Inc.	2,074,353	309,950
Keurig Dr Pepper Inc.	8,545,303	306,093	Raymond James Financial Inc.	3,094,996	305,847
Kimberly-Clark Corp.	2,503,625	281,758	Wells Fargo & Co.	7,009,670	281,929
Coca-Cola Co.	3,468,086	194,282	Citigroup Inc.	4,383,587	182,664
Altria Group Inc.	4,376,955	176,742	Aflac Inc.	2,321,185	130,451
Hershey Co.	648,843	143,050	Ameriprise Financial Inc.	471,536	118,803
Kroger Co.	2,764,459	120,945	Allstate Corp.	941,412	117,234
Tyson Foods Inc. Class A	1,553,056	102,393	Discover Financial Services	1,088,494	98,966
Colgate-Palmolive Co.	1,063,821	74,734	Synchrony Financial	3,255,317	91,767
Coca-Cola Europacific Partners plc	590,332	25,160	Ally Financial Inc.	3,119,116	86,805
Medifast Inc.	129,514	14,034	Jefferies Financial Group Inc.	2,931,818	86,489

## Equity Income Fund

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Hartford Financial Services Group Inc.	1,396,066	86,472	Lockheed Martin Corp.	357,496	138,097
Fidelity National Financial Inc.	2,319,935	83,982	Emerson Electric Co.	1,752,639	128,328
Zions Bancorp NA	1,336,276	67,963	Cummins Inc.	597,854	121,669
Goldman Sachs Group Inc.	230,918	67,670	Caterpillar Inc.	640,170	105,039
Unum Group	1,734,061	67,282	Waste Management Inc.	653,902	104,762
OneMain Holdings Inc.	1,591,260	46,974	Triton International Ltd.	1,135,524	62,147
MGIC Investment Corp.	3,547,370	45,477	ManpowerGroup Inc.	777,180	50,276
US Bancorp	959,065	38,669	nVent Electric plc	958,138	30,287
Fifth Third Bancorp	1,180,122	37,717	Nielsen Holdings plc	880,964	24,420
Comerica Inc.	497,541	35,375	Snap-on Inc.	100,175	20,170
SLM Corp.	2,508,274	35,091	3M Co.	151,386	16,728
First American Financial Corp.	676,639	31,193	PACCAR Inc.	158,163	13,237
BlackRock Inc.	53,378	29,373			<b>4,207,518</b>
Travelers Cos. Inc.	171,701	26,305	<b>Information Technology (9.3%)</b>		
Bank of New York Mellon Corp.	682,104	26,275	Cisco Systems Inc.	19,977,476	799,099
PacWest Bancorp	1,130,623	25,552	QUALCOMM Inc.	4,874,638	550,737
Radian Group Inc.	1,017,476	19,627	Broadcom Inc.	1,104,897	490,585
Popular Inc.	233,385	16,818	Analogue Devices Inc.	3,332,575	464,361
Jackson Financial Inc. Class A	570,294	15,826	Texas Instruments Inc.	2,726,052	421,938
Assurant Inc.	46,159	6,705	Corning Inc.	11,472,378	332,928
State Street Corp.	107,263	6,523	TE Connectivity Ltd.	2,998,924	330,961
		<b>8,337,443</b>	NXP Semiconductors NV	1,983,529	292,590
<b>Health Care (18.3%)</b>			Fidelity National Information Services Inc.	3,840,577	290,232
Johnson & Johnson	10,129,845	1,654,811	HP Inc.	4,640,361	115,638
Pfizer Inc.	31,573,944	1,381,676	Automatic Data Processing Inc.	447,034	101,115
Merck & Co. Inc.	14,279,575	1,229,757	Western Union Co.	5,719,757	77,217
Eli Lilly & Co.	3,480,470	1,125,410	Intel Corp.	2,500,408	64,436
UnitedHealth Group Inc.	826,794	417,564	International Business Machines Corp.	471,153	55,978
AstraZeneca plc ADR	6,618,375	362,952	KLA Corp.	134,535	40,714
Roche Holding AG	1,072,640	349,179	Seagate Technology Holdings plc	134,787	7,175
Medtronic plc	4,068,466	328,529			<b>4,435,704</b>
Elevance Health Inc.	701,296	318,557	<b>Materials (3.9%)</b>		
Becton Dickinson and Co.	1,311,689	292,284	LyondellBasell Industries NV Class A	5,651,873	425,473
AbbVie Inc.	2,101,704	282,070	PPG Industries Inc.	3,342,839	370,019
Baxter International Inc.	4,370,213	235,380	Rio Tinto plc ADR	5,753,910	316,810
CVS Health Corp.	2,312,795	220,571	Celanese Corp. Class A	2,214,329	200,043
Amgen Inc.	971,415	218,957	Reliance Steel & Aluminum Co.	625,283	109,056
Gilead Sciences Inc.	3,095,169	190,941	CF Industries Holdings Inc.	980,902	94,412
Bristol-Myers Squibb Co.	1,549,239	110,135	Steel Dynamics Inc.	1,267,292	89,914
Viatrix Inc.	3,835,127	32,675	Dow Inc.	2,012,209	88,396
		<b>8,751,448</b>	Nucor Corp.	813,744	87,062
<b>Industrials (8.8%)</b>			Linde plc	322,341	86,900
General Dynamics Corp.	2,946,156	625,086	Olin Corp.	165,222	7,085
Johnson Controls International plc	10,365,584	510,194			<b>1,875,170</b>
Eaton Corp. plc	3,213,497	428,552	<b>Real Estate (1.1%)</b>		
L3Harris Technologies Inc.	1,683,318	349,844	Crown Castle Inc.	1,917,048	277,109
Honeywell International Inc.	2,088,812	348,769	Welltower Inc.	4,089,421	263,032
Raytheon Technologies Corp.	4,238,604	346,972			<b>540,141</b>
Siemens AG (Registered)	3,312,255	323,749	<b>Utilities (8.3%)</b>		
Canadian National Railway Co.	2,803,705	302,789	American Electric Power Co. Inc.	7,220,391	624,203
United Parcel Service Inc. Class B	968,201	156,403	Exelon Corp.	16,270,545	609,495
			Sempra Energy (XNYS)	3,356,109	503,215
			Duke Energy Corp.	5,189,580	482,735
			Atmos Energy Corp.	4,502,509	458,581
			NextEra Energy Inc.	5,742,302	450,254

## Equity Income Fund

	Shares	Market Value* (\$000)		Face Amount (\$000)	Market Value* (\$000)
WEC Energy Group Inc.	1,272,958	113,841	Nomura International plc 2.970%, 10/3/22 (Dated 9/30/22, Repurchase Value \$107,127,000, collateralized by Federal Home Loan Bank 0.000%, 3/31/23, Freddie Mac 0.000%, 7/15/32, and U.S. Treasury Note/Bond 0.250%–3.000%, 5/31/25–10/31/27, with a value of \$109,266,000)	107,100	107,100
NRG Energy Inc.	2,715,160	103,909			
PPL Corp.	3,998,712	101,367			
Vistra Corp.	3,640,881	76,458			
AES Corp.	3,191,411	72,126			
UGI Corp.	2,090,344	67,581			
Portland General Electric Co.	1,159,728	50,402			
National Fuel Gas Co.	718,573	44,228			
IDACORP Inc.	405,354	40,134			
DTE Energy Co.	347,699	40,003			
Energy Inc.	610,173	36,244			
Eversource Energy	362,076	28,227			
Edison International	429,100	24,278			
NiSource Inc.	638,127	16,074			
Southern Co.	125,443	8,530			
		<b>3,951,885</b>			<b>307,900</b>
<b>Total Common Stocks (Cost \$40,264,117)</b>		<b>46,467,078</b>	<b>Total Temporary Cash Investments (Cost \$1,780,175)</b>		<b>1,780,342</b>
<b>Temporary Cash Investments (3.7%)</b>			<b>Total Investments (100.8%) (Cost \$42,044,292)</b>		<b>48,247,420</b>
<b>Money Market Fund (3.1%)</b>			<b>Other Assets and Liabilities—Net (-0.8%)</b>		<b>(386,215)</b>
<sup>2,3</sup> Vanguard Market Liquidity Fund, 2.828%	14,728,844	1,472,442	<b>Net Assets (100%)</b>		<b>47,861,205</b>
			Cost is in \$000.		
<b>Repurchase Agreements (0.6%)</b>			• See Note A in Notes to Financial Statements.		
Goldman, Sachs & Co. 2.980%, 10/3/22 (Dated 9/30/22, Repurchase Value \$88,122,000, collateralized by Ginnie Mae 2.690%–3.500%, 6/15/48–5/15/57, with a value of \$89,862,000)	88,100	88,100	1 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$472,357,000.		
NatWest Markets plc 2.980%, 10/3/22 (Dated 9/30/22, Repurchase Value \$112,728,000, collateralized by U.S. Treasury Note/Bond 2.750%–4.250%, 2/15/24–8/31/27, with a value of \$114,954,000)	112,700	112,700	2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.		
			3 Collateral of \$506,375,000 was received for securities on loan. ADR—American Depositary Receipt.		

## Equity Income Fund

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### Derivative Financial Instruments Outstanding as of Period End

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#### Futures Contracts

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				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
<hr/>				
Long Futures Contracts				
<hr/>				
E-mini S&P 500 Index	December 2022	5,790	1,042,634	(135,962)
<hr/>				

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

# Statement of Assets and Liabilities

As of September 30, 2022

(\$000s, except shares and per-share amounts)	Amount
<b>Assets</b>	
Investments in Securities, at Value <sup>1</sup>	
Unaffiliated Issuers (Cost \$40,572,017)	46,774,978
Affiliated Issuers (Cost \$1,472,275)	1,472,442
Total Investments in Securities	48,247,420
Investment in Vanguard	1,918
Cash	10,695
Cash Collateral Pledged—Futures Contracts	56,959
Foreign Currency, at Value (Cost \$1)	47
Receivables for Investment Securities Sold	229,228
Receivables for Accrued Income	94,057
Receivables for Capital Shares Issued	35,928
<b>Total Assets</b>	<b>48,676,252</b>
<b>Liabilities</b>	
Payables for Investment Securities Purchased	255,486
Collateral for Securities on Loan	506,375
Payables to Investment Advisor	11,352
Payables for Capital Shares Redeemed	24,564
Payables to Vanguard	2,248
Variation Margin Payable—Futures Contracts	15,022
<b>Total Liabilities</b>	<b>815,047</b>
<b>Net Assets</b>	<b>47,861,205</b>

<sup>1</sup> Includes \$472,357 of securities on loan.

At September 30, 2022, net assets consisted of:

Paid-in Capital	39,042,425
Total Distributable Earnings (Loss)	8,818,780
<b>Net Assets</b>	<b>47,861,205</b>
<b>Investor Shares—Net Assets</b>	
Applicable to 127,474,295 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	4,822,614
<b>Net Asset Value Per Share—Investor Shares</b>	<b>\$37.83</b>
<b>Admiral Shares—Net Assets</b>	
Applicable to 542,875,850 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	43,038,591
<b>Net Asset Value Per Share—Admiral Shares</b>	<b>\$79.28</b>

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



## Statement of Operations

	Year Ended September 30, 2022
	(\$000)
<b>Investment Income</b>	
<b>Income</b>	
Dividends <sup>1</sup>	1,536,557
Interest <sup>2</sup>	11,144
Securities Lending—Net	370
<b>Total Income</b>	<b>1,548,071</b>
<b>Expenses</b>	
Investment Advisory Fees—Note B	
Basic Fee	41,134
Performance Adjustment	6,257
The Vanguard Group—Note C	
Management and Administrative—Investor Shares	9,562
Management and Administrative—Admiral Shares	41,788
Marketing and Distribution—Investor Shares	406
Marketing and Distribution—Admiral Shares	2,359
Custodian Fees	261
Auditing Fees	31
Shareholders' Reports—Investor Shares	68
Shareholders' Reports—Admiral Shares	572
Trustees' Fees and Expenses	19
Other Expenses	18
<b>Total Expenses</b>	<b>102,475</b>
Expenses Paid Indirectly	(55)
<b>Net Expenses</b>	<b>102,420</b>
<b>Net Investment Income</b>	<b>1,445,651</b>
<b>Realized Net Gain (Loss)</b>	
Investment Securities Sold <sup>2</sup>	3,101,244
Futures Contracts	(73,100)
Foreign Currencies	(254)
<b>Realized Net Gain (Loss)</b>	<b>3,027,890</b>
<b>Change in Unrealized Appreciation (Depreciation)</b>	
Investment Securities <sup>2</sup>	(6,773,012)
Futures Contracts	(104,129)
Foreign Currencies	(780)
<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(6,877,921)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(2,404,380)</b>

<sup>1</sup> Dividends are net of foreign withholding taxes of \$3,687,000.

<sup>2</sup> Interest income, realized net gain (loss), capital gain distributions received, and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$7,655,000, (\$186,000), \$16,000, and (\$17,000), respectively. Purchases and sales are for temporary cash investment purposes.

## Statement of Changes in Net Assets

	Year Ended September 30,	
	2022 (\$000)	2021 (\$000)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations</b>		
Net Investment Income	1,445,651	1,168,906
Realized Net Gain (Loss)	3,027,890	2,715,655
Change in Unrealized Appreciation (Depreciation)	(6,877,921)	7,103,797
Net Increase (Decrease) in Net Assets Resulting from Operations	(2,404,380)	10,988,358
<b>Distributions</b>		
Investor Shares	(417,573)	(138,888)
Admiral Shares	(3,618,297)	(1,066,361)
Total Distributions	(4,035,870)	(1,205,249)
<b>Capital Share Transactions</b>		
Investor Shares	181,131	(398,046)
Admiral Shares	5,413,453	4,023,566
Net Increase (Decrease) from Capital Share Transactions	5,594,584	3,625,520
Total Increase (Decrease)	(845,666)	13,408,629
<b>Net Assets</b>		
Beginning of Period	48,706,871	35,298,242
End of Period	47,861,205	48,706,871

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

# Financial Highlights

## Investor Shares

For a Share Outstanding Throughout Each Period	Year Ended September 30,				
	2022	2021	2020	2019	2018
<b>Net Asset Value, Beginning of Period</b>	<b>\$42.95</b>	<b>\$33.75</b>	<b>\$36.51</b>	<b>\$37.98</b>	<b>\$35.64</b>
<b>Investment Operations</b>					
Net Investment Income <sup>1</sup>	1.159	1.041	1.000	1.002	.965
Net Realized and Unrealized Gain (Loss) on Investments	(2.848)	9.232	(2.067)	.972	2.764
Total from Investment Operations	(1.689)	10.273	(1.067)	1.974	3.729
<b>Distributions</b>					
Dividends from Net Investment Income	(1.134)	(1.012)	(1.034)	(.997)	(.943)
Distributions from Realized Capital Gains	(2.297)	(.061)	(.659)	(2.447)	(.446)
Total Distributions	(3.431)	(1.073)	(1.693)	(3.444)	(1.389)
<b>Net Asset Value, End of Period</b>	<b>\$37.83</b>	<b>\$42.95</b>	<b>\$33.75</b>	<b>\$36.51</b>	<b>\$37.98</b>
<b>Total Return<sup>2</sup></b>	<b>-4.67%</b>	<b>30.66%</b>	<b>-2.87%</b>	<b>6.43%</b>	<b>10.58%</b>

## Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$4,823	\$5,285	\$4,482	\$5,478	\$5,751
Ratio of Total Expenses to Average Net Assets <sup>3</sup>	0.28% <sup>4</sup>	0.28%	0.28%	0.27%	0.27%
Ratio of Net Investment Income to Average Net Assets	2.69%	2.56%	2.89%	2.84%	2.60%
Portfolio Turnover Rate	40%	29%	35%	32%	37%

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%, 0.01%, 0.01%, and (0.00%).

4 The ratio of expenses to average net assets for the period net of reduction from custody fee offset and broker commission abatement arrangements was 0.28%.

# Financial Highlights

## Admiral Shares

For a Share Outstanding Throughout Each Period	Year Ended September 30,				
	2022	2021	2020	2019	2018
<b>Net Asset Value, Beginning of Period</b>	<b>\$90.01</b>	<b>\$70.73</b>	<b>\$76.52</b>	<b>\$79.61</b>	<b>\$74.69</b>
<b>Investment Operations</b>					
Net Investment Income <sup>1</sup>	2.516	2.262	2.159	2.167	2.099
Net Realized and Unrealized Gain (Loss) on Investments	(5.973)	19.342	(4.331)	2.028	5.806
Total from Investment Operations	(3.457)	21.604	(2.172)	4.195	7.905
<b>Distributions</b>					
Dividends from Net Investment Income	(2.460)	(2.196)	(2.236)	(2.156)	(2.048)
Distributions from Realized Capital Gains	(4.813)	(.128)	(1.382)	(5.129)	(.937)
Total Distributions	(7.273)	(2.324)	(3.618)	(7.285)	(2.985)
<b>Net Asset Value, End of Period</b>	<b>\$79.28</b>	<b>\$90.01</b>	<b>\$70.73</b>	<b>\$76.52</b>	<b>\$79.61</b>
<b>Total Return<sup>2</sup></b>	<b>-4.58%</b>	<b>30.77%</b>	<b>-2.77%</b>	<b>6.51%</b>	<b>10.70%</b>

## Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$43,039	\$43,422	\$30,816	\$30,972	\$27,625
Ratio of Total Expenses to Average Net Assets <sup>3</sup>	0.19% <sup>4</sup>	0.19%	0.19%	0.18%	0.18%
Ratio of Net Investment Income to Average Net Assets	2.78%	2.64%	2.98%	2.93%	2.69%
Portfolio Turnover Rate	40%	29%	35%	32%	37%

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%, 0.01%, 0.01%, and (0.00%).

4 The ratio of expenses to average net assets for the period net of reduction from custody fee offset and broker commission abatement arrangements was 0.19%.

## 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.

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.

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. **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.

4. **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, 2022, 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.

5. **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.

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 \$4.4 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 year ended September 30, 2022, the fund did not utilize the credit facilities or the Interfund Lending Program.

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

Taxes on foreign dividends and capital gains have been provided for in accordance with the fund's understanding of the applicable countries' tax rules and rates. Deferred foreign capital gains tax, if any, is accrued daily based upon net unrealized gains. The fund has filed tax reclaims for previously withheld taxes on dividends earned in certain European Union countries. These filings are subject to various administrative and judicial proceedings within these countries. Such tax reclaims received and related professional fees incurred during the year, if any, are included in dividend income and other expenses, respectively. 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 Management Company LLP provides investment advisory services to a portion of the fund for a fee calculated at an annual percentage rate of average net assets managed by the advisor. The basic fee is subject to quarterly adjustments based on performance relative to the 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 \$1,955,000 for the year ended September 30, 2022.

For the year ended September 30, 2022, 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 a net increase of \$6,257,000 (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, 2022, the fund had contributed to Vanguard capital in the amount of \$1,918,000, representing less than 0.01% of the fund's net assets and 0.77% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

**D.** The fund has asked its investment advisor to direct certain security trades, subject to obtaining the best price and execution, to brokers who have agreed to rebate to the fund part of the commissions generated. Such rebates are used solely to reduce the fund's management and administrative expenses. For the year ended September 30, 2022, these arrangements reduced the fund's expenses by \$55,000 (an annual rate of less than 0.01% of average net assets).

**E.** 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 September 30, 2022, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
<b>Investments</b>				
Assets				
Common Stocks	45,794,150	672,928	—	46,467,078
Temporary Cash Investments	1,472,442	307,900	—	1,780,342
Total	47,266,592	980,828	—	48,247,420
<b>Derivative Financial Instruments</b>				
Liabilities				
Futures Contracts <sup>1</sup>	135,962	—	—	135,962

<sup>1</sup> Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

F. 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 applicable foreign currency transactions and distributions in connection with fund share redemptions were reclassified between the following accounts:

	Amount (\$000)
Paid-in Capital	152,642
Total Distributable Earnings (Loss)	(152,642)

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; and the deferral of qualified late-year

## Equity Income Fund

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	72,777
Undistributed Long-Term Gains	2,614,443
Capital Loss Carryforwards	—
Qualified Late-Year Losses	(13,703)
Net Unrealized Gains (Losses)	6,145,224

The tax character of distributions paid was as follows:

	Year Ended September 30,	
	2022 Amount (\$000)	2021 Amount (\$000)
Ordinary Income*	1,723,789	1,141,227
Long-Term Capital Gains	2,312,081	64,022
Total	4,035,870	1,205,249

\* Includes short-term capital gains, if any.

As of September 30, 2022, 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	42,101,909
Gross Unrealized Appreciation	9,527,906
Gross Unrealized Depreciation	(3,382,395)
Net Unrealized Appreciation (Depreciation)	6,145,511

**G.** During the year ended September 30, 2022, the fund purchased \$22,385,780,000 of investment securities and sold \$19,837,802,000 of investment securities, other than temporary cash investments.

The fund purchased securities from and sold securities to other funds or accounts managed by its investment advisors or their 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 year ended September 30, 2022, such purchases were \$123,309,000 and sales were \$281,262,000, resulting in net realized gain of \$51,595,000; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

## H. Capital share transactions for each class of shares were:

	Year Ended September 30,			
	2022		2021	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
<b>Investor Shares</b>				
Issued	847,534	19,586	905,414	22,254
Issued in Lieu of Cash Distributions	385,775	9,104	127,115	3,134
Redeemed	(1,052,178)	(24,275)	(1,430,575)	(35,121)
Net Increase (Decrease)—Investor Shares	181,131	4,415	(398,046)	(9,733)
<b>Admiral Shares</b>				
Issued	9,294,275	102,758	9,053,463	106,583
Issued in Lieu of Cash Distributions	3,190,190	35,953	918,531	10,777
Redeemed	(7,071,012)	(78,259)	(5,948,428)	(70,619)
Net Increase (Decrease)—Admiral Shares	5,413,453	60,452	4,023,566	46,741

I. Management has determined that no events or transactions occurred subsequent to September 30, 2022, 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, 2022, the related statement of operations for the year ended September 30, 2022, the statement of changes in net assets for each of the two years in the period ended September 30, 2022, including the related notes, and the financial highlights for each of the five years in the period ended September 30, 2022 (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, 2022, 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, 2022 and the financial highlights for each of the five years in the period ended September 30, 2022 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, 2022 by correspondence with the custodian, transfer agent and brokers; 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 18, 2022

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

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**Tax information (unaudited)**

For corporate shareholders, 88.7%, or if subsequently determined to be different, the maximum percentage allowable by law, of ordinary income (dividend income plus short-term gains, if any) for the fiscal year qualified for the dividends-received deduction.

The fund hereby designates \$1,498,465,000, or if subsequently determined to be different, the maximum amount allowable by law, as qualified dividend income for individual shareholders for the fiscal year.

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

The fund distributed \$2,464,722,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

The fund hereby designates \$2,836,000, or if subsequently determined to be different, the maximum amount allowable by law, of interest earned from obligations of the U.S. government which is generally exempt from state income tax.

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# The People Who Govern Your Fund

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

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 206 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](http://vanguard.com).

## Interested Trustee<sup>1</sup>

### 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. Member of the board of governors of the Investment Company Institute and the board of governors of FINRA. Trustee and vice chair of The Shipley School.

of Santa Clara University's Leavey School of Business (2018–present).

### 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. Member of the board of directors of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, Roberts Wesleyan College, and the Rochester Philharmonic Orchestra. Trustee of the University of Rochester.

## Independent Trustees

### Tara Bunch

Born in 1962. Trustee since November 2021. Principal occupation(s) during the past five years and other experience: head of global operations at Airbnb (2020–present). Vice president of AppleCare (2012–2020). Member of the board of directors of Out & Equal (2002–2006), the advisory board of the University of California, Berkeley School of Engineering (2020–present), and the advisory board

### 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). Director of the V Foundation. Member of the advisory council for the College of

<sup>1</sup> 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.

Arts and Letters at the University of Notre Dame. Chairman of the board of Saint Anselm College.

#### **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: adjunct professor of finance at the University of Notre Dame (2020–present). Chief investment officer (retired 2020) and vice president (retired 2020) of the University of Notre Dame. Assistant professor (retired June 2020) of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of superintendence of the Institute for the Works of Religion, and the board of directors of Paxos Trust Company (finance).

#### **Deanna Mulligan**

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer of Purposeful (advisory firm for CEOs and C-level executives; 2021–present). Board chair (2020), 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 Individual Life and Disability of the Guardian Life Insurance Company of America. Member of the board of the Economic Club of New York. Trustee of the Partnership for New York City (business leadership), Chief Executives for Corporate Purpose, and the NewYork-Presbyterian Hospital.

#### **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 (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. Colin W. Brown Distinguished Professor of the Practice of Law (2021–present), professor (2020–present), Distinguished Fellow of the Global Financial Markets Center (2020–present), and Rubenstein Fellow (2017–2020) at Duke University. Trustee (2017–present) of Amherst College and member of Amherst College Investment Committee (2019–present). Member of the Regenerative Crisis Response Committee (2020–present).

#### **David A. Thomas**

Born in 1956. Trustee since July 2021. Principal occupation(s) during the past five years and other experience: president of Morehouse College (2018–present). Professor of business administration, emeritus at Harvard University (2017–2018). Dean (2011–2016) and professor of management (2016–2017) at the Georgetown University McDonough School of Business. Director of DTE Energy Company (2013–present). Trustee of Common Fund (2019–present).

#### **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). Member of the BMW Group Mobility Council.

## Executive Officers

### Christine M. Buchanan

Born in 1970. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2021–present) and treasurer (2017–present) of each of the investment companies served by Vanguard. Partner (2005–2017) at KPMG (audit, tax, and advisory services).

### 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. Special assistant to the President of the United States (2015).

### Ashley Grim

Born in 1984. Principal occupation(s) during the past five years and other experience: treasurer (February 2022–present) of each of the investment companies served by Vanguard. Fund transfer agent controller (2019–2022) and director of Audit Services (2017–2019) at Vanguard. Senior manager (2015–2017) at PriceWaterhouseCoopers (audit and assurance, consulting, and tax services).

### 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. Nonexecutive director of the board of National Grid (energy).

### 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

Matthew Benchener	Thomas M. Rampulla
Joseph Brennan	Karin A. Risi
Mortimer J. Buckley	Anne E. Robinson
Gregory Davis	Michael Rollings
John James	Nitin Tandon
Chris D. McIsaac	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](https://www.vanguard.com/proxyreporting) or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, [www.sec.gov](https://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](https://www.vanguard.com/proxyreporting) or [www.sec.gov](https://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](mailto:publicinfo@sec.gov).

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