



Vanguard[®]



Semiannual Report | July 31, 2018

Vanguard U.S. Government Bond Funds

Vanguard Short-Term Treasury Fund

Vanguard Short-Term Federal Fund

Vanguard Intermediate-Term Treasury Fund

Vanguard GNMA Fund

Vanguard Long-Term Treasury Fund

Vanguard's Principles for Investing Success

We want to give you the best chance of investment success. These principles, grounded in Vanguard's research and experience, can put you on the right path.

Goals. Create clear, appropriate investment goals.

Balance. Develop a suitable asset allocation using broadly diversified funds.

Cost. Minimize cost.

Discipline. Maintain perspective and long-term discipline.

A single theme unites these principles: Focus on the things you can control. We believe there is no wiser course for any investor.

Contents

Your Fund's Performance at a Glance.	1
CEO's Perspective.	3
Advisors' Report.	5
Short-Term Treasury Fund.	10
Short-Term Federal Fund.	27
Intermediate-Term Treasury Fund.	45
GNMA Fund.	63
Long-Term Treasury Fund.	83
About Your Fund's Expenses.	99
Trustees Approve Advisory Arrangements.	102
Glossary.	104

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.

See the Glossary for definitions of investment terms used in this report.

About the cover: Nautical images have been part of Vanguard's rich heritage since its start in 1975. For an incoming ship, a lighthouse offers a beacon and safe path to shore. You can similarly depend on Vanguard to put you first—and light the way—as you strive to meet your financial goals. Our client focus and low costs, stemming from our unique ownership structure, assure that your interests are paramount.

Your Fund's Performance at a Glance

- For the six months ended July 31, 2018, the returns of the funds in this report ranged from -1.12% for Vanguard Long-Term Treasury Fund to 0.27% for both Vanguard Short-Term Treasury Fund and Vanguard GNMA Fund. (Returns cited are for Investor Shares.) All five funds outpaced their benchmarks; results versus their peer groups were mixed.
- Investor sentiment was dented at times by developments including escalating trade tensions, political uncertainty in Europe, and geopolitical flare-ups, which supported demand for bonds. The outlook for continuing growth and rising inflation expectations, however, led bond yields to finish the period higher and prices lower.
- In the Treasury Funds and Vanguard Short-Term Federal Fund, allocations to out-of-benchmark securities including Treasury inflation-protected securities, mortgage-backed securities, and agency debt generally added to relative performance.
- In the GNMA Fund, allocation and duration calls helped; security selection was the primary detractor.

Total Returns: Six Months Ended July 31, 2018

	30-Day SEC Yield	Income Returns	Capital Returns	Total Returns
Vanguard Short-Term Treasury Fund				
Investor Shares	2.27%	1.03%	-0.76%	0.27%
Admiral™ Shares	2.37	1.07	-0.76	0.31
Bloomberg Barclays U.S. 1–5 Year Treasury Bond Index				0.21
Short-Term U.S. Treasury Funds Average				0.79

Short-Term U.S. Treasury Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Vanguard Short-Term Federal Fund				
Investor Shares	2.46%	0.91%	-0.66%	0.25%
Admiral Shares	2.56	0.96	-0.66	0.30
Bloomberg Barclays U.S. 1–5 Year Government Bond Index				0.22
Short-Intermediate U.S. Government Funds Average				0.09

Short-Intermediate U.S. Government Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Vanguard Intermediate-Term Treasury Fund				
Investor Shares	2.65%	1.13%	-1.29%	-0.16%
Admiral Shares	2.75	1.18	-1.29	-0.11
Bloomberg Barclays U.S. 5–10 Year Treasury Bond Index				-0.20
General U.S. Treasury Funds Average				-0.68

General U.S. Treasury Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Total Returns: Six Months Ended July 31, 2018

	30-Day SEC Yield	Income Returns	Capital Returns	Total Returns
Vanguard GNMA Fund				
Investor Shares	2.78%	1.43%	-1.16%	0.27%
Admiral Shares	2.88	1.48	-1.16	0.32
Bloomberg Barclays U.S. GNMA Bond Index				0.25
GNMA Funds Average				-0.05

GNMA Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Vanguard Long-Term Treasury Fund				
	30-Day SEC Yield	Income Returns	Capital Returns	Total Returns
Investor Shares	2.86%	1.39%	-2.51%	-1.12%
Admiral Shares	2.96	1.44	-2.51	-1.07
Bloomberg Barclays U.S. Long Treasury Bond Index				-1.23
General U.S. Treasury Funds Average				-0.68

General U.S. Treasury Funds Average: Derived from data provided by Lipper, a Thomson Reuters Company.

Admiral Shares carry lower expenses and are available to investors who meet certain account-balance requirements.

Expense Ratios

Your Fund Compared With Its Peer Group

	Investor Shares	Admiral Shares	Peer Group Average
Short-Term Treasury Fund	0.20%	0.10%	0.47%
Short-Term Federal Fund	0.20	0.10	0.89
Intermediate-Term Treasury Fund	0.20	0.10	0.37
GNMA Fund	0.21	0.11	0.86
Long-Term Treasury Fund	0.20	0.10	0.37

The fund expense ratios shown are from the prospectus dated May 24, 2018, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the funds' annualized expense ratios were: for the Short-Term Treasury Fund, 0.20% for Investor Shares and 0.10% for Admiral Shares; for the Short-Term Federal Fund, 0.20% for Investor Shares and 0.10% for Admiral Shares; for the Intermediate-Term Treasury Fund, 0.20% for Investor Shares and 0.10% for Admiral Shares; for the GNMA Fund, 0.21% for Investor Shares and 0.11% for Admiral Shares; and for the Long-Term Treasury Fund, 0.20% for Investor Shares and 0.10% for Admiral Shares. Peer-group expense ratios are derived from data provided by Lipper, a Thomson Reuters Company, and capture information through year-end 2017.

Peer groups: For the Short-Term Treasury Fund, Short-Term U.S. Treasury Funds; for the Short-Term Federal Fund, Short-Intermediate U.S. Government Funds; for the Intermediate-Term Treasury Fund, General U.S. Treasury Funds; for the GNMA Fund, GNMA Funds; and for the Long-Term Treasury Fund, General U.S. Treasury Funds.

CEO's Perspective



Tim Buckley
President and Chief Executive Officer

Dear Shareholder,

I feel extremely fortunate to have the chance to lead a company filled with people who come to work every day passionate about Vanguard's core purpose: to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

When I joined Vanguard in 1991, I found a mission-driven team focused on improving lives—helping people retire more comfortably, put their children through college, and achieve financial security. I also found a company with purpose in an industry ripe for improvement.

It was clear, even early in my career, that the cards were stacked against most investors. Hidden fees, performance-chasing, and poor advice were relentlessly eroding investors' dreams.

We knew Vanguard could be different and, as a result, could make a real difference. We have lowered the costs of investing for our shareholders significantly. And we're proud of the performance of our funds.

Vanguard is built for Vanguard investors—we focus solely on you, our fund shareholders. Everything we do is designed to give our clients the best chance for investment success. In my role as CEO, I'll keep this priority

front and center. We're proud of what we've achieved, but we're even more excited about what's to come.

Steady, time-tested guidance

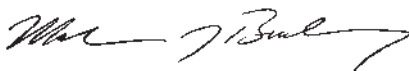
Our guidance for investors, as always, is to stay the course, tune out the hyperbolic headlines, and focus on your goals and what you can control, such as costs and how much you save. This time-tested advice has served our clients well over the decades.

Regardless of how the markets perform in the short term, I'm incredibly optimistic about the future for our investors. We have a dedicated team serving you, and we will never stop striving to make

Vanguard the best place for you to invest through our high-quality funds and services, advice and guidance to help you meet your financial goals, and an experience that makes you feel good about entrusting us with your hard-earned savings.

Thank you for your continued loyalty.

Sincerely,



Mortimer J. Buckley
President and Chief Executive Officer
August 16, 2018

Market Barometer

	Total Returns Periods Ended July 31, 2018		
	Six Months	One Year	Five Years (Annualized)
Stocks			
Russell 1000 Index (Large-caps)	0.86%	16.19%	12.96%
Russell 2000 Index (Small-caps)	6.75	18.73	11.33
Russell 3000 Index (Broad U.S. market)	1.30	16.39	12.83
FTSE All-World ex US Index (International)	-6.57	6.19	5.97
Bonds			
Bloomberg Barclays U.S. Aggregate Bond Index (Broad taxable market)	-0.45%	-0.80%	2.25%
Bloomberg Barclays Municipal Bond Index (Broad tax-exempt market)	1.18	0.99	3.76
FTSE Three-Month U.S. Treasury Bill Index	0.83	1.41	0.41
CPI			
Consumer Price Index	1.67%	2.95%	1.53%

Advisors' Report

For the Short-, Intermediate-, and Long-Term Treasury Funds and the Short-Term Federal Fund

The half year ended July 31, 2018, was a challenging period for bonds, marked by rising yields and bouts of volatility. Returns for the four U.S. Government Bond Funds managed by Vanguard's Fixed Income Group ranged from -1.12% for Investor Shares of Vanguard Long-Term Treasury Fund to 0.31% for Admiral Shares of Vanguard Short-Term Treasury Fund.

All four funds outpaced their benchmarks. In comparison to the average return of their peers, the Short-Term and Long-Term Treasury Funds lagged while the Short-Term Federal and Intermediate-Term Treasury Funds outperformed.

The 30-day SEC yield for the Short-Term Federal Fund gained the most, rising 56 basis points to 2.46%. The Long-Term

Treasury Fund rose the least, edging up 18 basis points to 2.86%. (The yields cited here are for Investor Shares. A basis point is one-hundredth of a percentage point.)

Investment environment

Macroeconomic fundamentals were robust throughout the six months. Business confidence held up even in the face of trade uncertainties, and consumer spending was supported by solid expansion in the job market. Unemployment hit a 17-year low, finishing the period at 3.9%.

The tax cuts enacted late last year and the approval in March to increase federal government spending added to optimism about growth. It accelerated to a little over 3% in inflation-adjusted terms on an annualized basis for the first half of 2018. On the inflation front, price increases moved toward the Federal Reserve's target of 2% with some help from an increase in the price of oil.

Yields of U.S. Treasury Securities

Maturity	January 31, 2018	July 31, 2018
2 years	2.14%	2.67%
3 years	2.29	2.77
5 years	2.52	2.85
10 years	2.71	2.96
30 years	2.94	3.08

Source: Vanguard.

Acknowledging the health of the economy, the Fed moved further down the path toward monetary policy normalization. It continued shrinking the \$4.5 trillion balance sheet it had amassed as part of the stimulus begun in the wake of the 2008 financial crisis. It also raised the federal funds target rate in March and again in June, bringing it up to a range of 1.75%–2%, and signaled two more hikes to come before the end of 2018.

The Fed's actions pushed shorter-term yields higher. The yield of the 2-year Treasury note climbed 53 basis points to 2.67%.

Demand for longer-term bonds was supported at times by escalating trade tensions, political uncertainty in Europe, and geopolitical flare-ups. Buying from pension funds and insurance companies also helped as they rebalanced their portfolios from equities and invested cash inflows from companies adding to underfunded pension plans. However, the outlook for growth and rising inflation expectations led yields on these securities higher, though not by as much as their shorter-term counterparts. The yield of the bellwether 10-year Treasury note ended the period 25 basis points higher at 2.96%.

Management of the funds

We were able to add value largely through limited positions in high-quality agency debt that falls outside of the funds' benchmarks. We increased our holdings in Treasury inflation-protected securities early in the year to take advantage of the seasonal

upswing we usually see in the consumer price index. That exposure boosted the relative returns of all the funds and of the Short-Term Treasury Fund in particular. As this was a tactical move, we have since reduced our exposure to these securities.

Another out-of-benchmark allocation was to mortgage-backed securities, which made modestly positive contributions to relative returns. Agency debt, which was overweighted in the Federal Fund and an out-of-benchmark allocation in the three Treasury Funds, boosted performance in all but the Intermediate-Term Fund, which experienced some volatility from specific issuers.

In Treasuries, we had some success in curve positioning and identifying relative value opportunities. However, our duration exposure in the Short-Term and Intermediate-Term Treasury Funds, which have structurally short durations relative to their benchmarks, hurt. (Duration is a measure of a portfolio's sensitivity to interest rate changes.) Having a little longer bias at the beginning of the year proved a drag when rates sold off in late January and into February.

Outlook

In the absence of any exogenous shocks, the U.S. economy is on pace to break above its long-term potential growth rate in 2018. The recent tax cuts and increased government spending should boost already solid fundamentals. Along with some upward pressure on wages due to the tight labor market, that may push the U.S. core

personal consumption expenditures price index a little above 2% by the end of the year.

We see this as a cyclical bounce, however. We still expect long-term structural pressures from an aging population, global sourcing of goods and labor, and technological disruptions to result in moderate long-run growth and inflation.

Upward adjustments to the Fed's assumptions—the economy growing a little faster, unemployment falling a little lower, and inflation running a little higher—should justify another two rate hikes this year. The Fed has also penciled in rate hikes in 2019. The unwinding of its balance sheet is likely to continue in September given the limited reaction so far from the bond market.

We may continue to see bouts of volatility related to inflation and interest rate expectations as well as concerns about whether we are approaching the end of the current credit cycle. Other potential triggers include U.S. midterm elections, an intensification of trade disputes, flare-ups in geopolitical tensions, and missteps by central banks. The funds remained positioned to take advantage of any repricing of risk those concerns may create.

It's worth restating that investors should look beyond short-term volatility and adhere to their long-term investment strategies. And keep in mind the silver lining in higher rates for long-term

investors—coupon payments and proceeds from maturing bonds can be reinvested at higher rates.

Whatever the markets may bring, our experienced team of portfolio managers, credit analysts, and traders will continue to seek out opportunities to add to the funds' performance.

John Hollyer, CFA, Principal
Global Head of Fixed Income Group

Gemma Wright-Casparius, Principal
and Portfolio Manager

Brian Quigley, Portfolio Manager

Vanguard Fixed Income Group

August 21, 2018

For the GNMA Fund

For the six months ended July 31, 2018, Investor Shares of Vanguard GNMA Fund returned 0.27% and Admiral Shares returned 0.32%. The fund's benchmark, the Bloomberg Barclays GNMA Index, returned 0.25%.

Investment environment

Escalating geopolitical tensions from North Korea and populist politics in Europe, along with U.S. trade policy concerns, prompted occasional safe-haven flows into developed-market sovereign bonds during the period. Early-warning signs about a loss of economic momentum in the euro area and China also unsettled markets. However, the anticipated inflationary impact of U.S. trade tariffs and expectations of continued

monetary policy tightening pushed U.S. Treasury yields higher, despite elevated volatility in Europe. Against this backdrop, most credit sectors were adversely affected by increasing interest rates and widening credit spreads.

Global monetary policy remained on a less accommodative path as the U.S. Federal Reserve raised interest rates twice and projected two more hikes later this year. The European Central Bank announced a December 2018 end to quantitative easing but pledged to keep policy rates unchanged at least through the summer of 2019. The Bank of England raised its benchmark rate for the second time in a decade despite uncertainty over Brexit. And the Bank of Japan adjusted its policy framework because of slow progress toward its 2% inflation target. The People's Bank of China was an outlier. It unexpectedly cut its reserve requirement ratio for most banks by 100 basis points to free up lending to small businesses.

In the United States, the labor market continued to strengthen and small business and consumer surveys remained elevated. Higher interest rates and low inventory led to mixed housing data. Meanwhile, the economic cycle in the euro area slowed, partly because of global trade frictions. U.K. core inflation dropped below the Bank of England's target, and consumer confidence remained at relatively subdued levels. China's Purchasing Managers' Index was mixed, with an uptick in manufacturing activity but a drop in nonmanufacturing.

The agency mortgage-backed securities (MBS) market returned 0.11% as measured by the Bloomberg Barclays MBS Fixed Rate Index, underperforming duration-equivalent Treasuries by seven basis points (as measured by Wellington Management). An increase in volatility from extremely low levels and a widening in competing spread sectors weighed on performance early in the period. Various macro risks, including Italian politics and U.S. trade policy and protectionism, also pressured the sector, but it fared much better than investment-grade corporates. As volatility subsided, agency MBS were able to recoup a portion of their underperformance.

GNMA MBS returned 0.25% as measured by the Bloomberg Barclays GNMA Index, slightly outperforming duration-equivalent Treasuries by two basis points (as measured by Wellington Management). The GNMA sector performed better than conventionals (FNMA, FHLMC), aided by expectations of slowing prepayments after efforts to curb the aggressive refinancing of loans guaranteed by the U.S. Department of Veterans Affairs.

The fund's successes

The fund's allocation to agency collateralized mortgage obligations (CMOs) aided relative performance for the six months. Its tactical short duration bias and curve-flattening posture also helped as interest rates increased and short- to intermediate-term yields rose more than long-term yields.

The fund's shortfalls

Security selection in 30-year GNMA pass-throughs was the primary detractor from relative performance. Our selection remained focused on identifying pools with attractive prepayment characteristics as a way to add value as MBS spreads remained relatively tight. The fund's allocation to Fannie Mae multifamily Delegated Underwriting and Servicing (DUS) bonds also detracted when they underperformed on an excess return basis.

The fund's positioning

We are underweighted in agency MBS pass-throughs and focused on replacing their income with less prepayment-sensitive sectors of the agency MBS market. We have a bias toward assets that can generate income and provide more stable cash flows, such as Fannie Mae DUS bonds, agency CMOs, and high-quality agency multifamily bonds.

MBS valuations are fair in our view. Mortgages have become more attractive as spreads relative to Treasuries are wider than their 2017 levels; however, nominal spreads are still near their long-term lows. This reflection of steady economic growth, benign inflation, and historically low volatility skews the risks to the downside should any of these factors revert. An increase in market volatility has pushed spreads wider in competing sectors. Concerns about further underperformance in some of these higher-beta sectors could cause investors to de-risk and shift into higher-quality assets. That could push agency MBS spreads wider, but they would likely still outperform on a relative basis.

We expect continued strength in employment and housing this year, and the Fed should tighten monetary conditions modestly. This market-consensus view should be consistent with a flattening yield curve and slightly higher Treasury rates. Risk seems most likely to pop up in political and trade-related areas.

The pace of the Fed's balance sheet reduction will gradually increase. Reinvestments have provided support to the MBS market and spreads may still need to widen modestly to absorb the resulting net new supply. The Fed has been very transparent regarding the timing and measured pace of its policy normalization. As a result, we expect spreads will widen gradually and that MBS income will further slow the pace.

As we look further out, we still expect MBS spreads to remain toward the tight end of their long-term range based on their favorable supply relative to U.S. Treasuries. We also anticipate lower leverage in the economy, a more stable buyer base of long-term investors, a constrained mortgage credit environment, and lower refinancing risk.

Michael F. Garrett
Senior Managing Director and
Fixed Income Portfolio Manager

Wellington Management Company LLP

August 21, 2018

Short-Term Treasury Fund

Fund Profile

As of July 31, 2018

Share-Class Characteristics

	Investor Shares	Admiral Shares
Ticker Symbol	VFISX	VFIRX
Expense Ratio ¹	0.20%	0.10%
30-Day SEC Yield	2.27%	2.37%

Financial Attributes

	Fund	Bloomberg Barclays 1-5 Year Treasury Index	Bloomberg Barclays Aggregate Bond Index
Number of Bonds	79	156	10,012
Yield to Maturity (before expenses)	2.8%	2.7%	3.4%
Average Coupon	1.6%	1.9%	3.1%
Average Duration	2.2 years	2.7 years	6.0 years
Average Effective Maturity	2.2 years	2.8 years	8.4 years
Short-Term Reserves	4.3%	—	—

Sector Diversification (% of portfolio)

Government Mortgage-Backed	3.0%
Treasury/Agency	97.0

The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

Volatility Measures

	Bloomberg Barclays 1-5 Year Treasury Index	Bloomberg Barclays Aggregate Bond Index
R-Squared	0.95	0.69
Beta	0.73	0.32

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	8.3%
1 - 3 Years	81.4
3 - 5 Years	7.3
5 - 7 Years	0.5
7 - 10 Years	2.5

Distribution by Credit Quality (% of portfolio)

U.S. Government	95.4%
Not Rated	4.6

Credit-quality ratings are obtained from Moody's and S&P, and the higher rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts. For more information about these ratings, see the Glossary entry for Credit Quality.

Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

¹ The expense ratios shown are from the prospectus dated May 24, 2018, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the annualized expense ratios were 0.20% for Investor Shares and 0.10% for Admiral Shares.

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.

Fiscal-Year Total Returns (%): January 31, 2008, Through July 31, 2018

Fiscal Year	Investor Shares			Bloomberg Barclays 1-5 Year Treasury Index
	Income Returns	Capital Returns	Total Returns	Total Returns
2009	2.70%	1.79%	4.49%	5.84%
2010	1.60	0.90	2.50	1.95
2011	1.09	0.83	1.92	2.94
2012	0.68	1.56	2.24	3.38
2013	0.41	-0.02	0.39	0.45
2014	0.36	-0.08	0.28	0.38
2015	0.51	0.50	1.01	1.75
2016	0.70	-0.04	0.66	1.04
2017	0.88	-0.45	0.43	0.11
2018	1.19	-1.50	-0.31	-0.10
2019	1.03	-0.76	0.27	0.21

Note: For 2019, performance data reflect the six months ended July 31, 2018.

Average Annual Total Returns: Periods Ended June 30, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years		
				Income	Capital	Total
Investor Shares	10/28/1991	-0.23%	0.55%	0.97%	0.40%	1.37%
Admiral Shares	2/13/2001	-0.13	0.65	1.07	0.40	1.47

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2018

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (101.3%)				
U.S. Government Securities (91.5%)				
United States Treasury Note/Bond	1.625%	3/31/19	3,000	2,987
United States Treasury Note/Bond	0.875%	4/15/19	150,000	148,085
United States Treasury Note/Bond	1.625%	4/30/19	350,000	348,085
United States Treasury Note/Bond	3.125%	5/15/19	30,000	30,169
United States Treasury Note/Bond	0.750%	7/15/19	198,000	194,844
United States Treasury Note/Bond	1.625%	7/31/19	200,000	198,312
United States Treasury Note/Bond	1.000%	8/31/19	362,000	356,230
United States Treasury Note/Bond	1.625%	8/31/19	170,000	168,405
United States Treasury Note/Bond	0.875%	9/15/19	50,000	49,102
United States Treasury Note/Bond	1.375%	9/30/19	50,000	49,344
United States Treasury Note/Bond	1.750%	9/30/19	173,000	171,486
United States Treasury Note/Bond	1.000%	10/15/19	148,000	145,318
United States Treasury Note/Bond	1.500%	10/31/19	101,000	99,706
United States Treasury Note/Bond	1.000%	11/15/19	50,000	49,016
United States Treasury Note/Bond	3.375%	11/15/19	75,000	75,773
United States Treasury Note/Bond	1.500%	11/30/19	200,000	197,218
United States Treasury Note/Bond	1.750%	11/30/19	325,000	321,549
United States Treasury Note/Bond	1.375%	12/15/19	160,000	157,426
United States Treasury Note/Bond	1.125%	12/31/19	200,000	195,968
United States Treasury Note/Bond	1.375%	2/15/20	24,000	23,554
United States Treasury Note/Bond	1.125%	3/31/20	13,000	12,681
United States Treasury Note/Bond	2.250%	3/31/20	60,000	59,615
United States Treasury Note/Bond	1.375%	4/30/20	74,350	72,747
United States Treasury Note/Bond	2.000%	7/31/20	90,000	88,819
United States Treasury Note/Bond	1.500%	8/15/20	45,000	43,945
United States Treasury Note/Bond	2.625%	8/15/20	114,000	113,876
United States Treasury Note/Bond	1.375%	8/31/20	85,000	82,742
United States Treasury Note/Bond	1.375%	9/30/20	40,000	38,900
United States Treasury Note/Bond	2.000%	9/30/20	175,000	172,429
United States Treasury Note/Bond	1.625%	10/15/20	28,200	27,548
United States Treasury Note/Bond	1.375%	10/31/20	60,000	58,256
United States Treasury Note/Bond	1.750%	10/31/20	70,000	68,524
United States Treasury Note/Bond	2.625%	11/15/20	104,750	104,505
United States Treasury Note/Bond	1.625%	11/30/20	100,000	97,531
United States Treasury Note/Bond	2.000%	11/30/20	47,000	46,236
United States Treasury Note/Bond	1.875%	12/15/20	211,150	207,058

Short-Term Treasury Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
United States Treasury Note/Bond	1.750%	12/31/20	223,415	218,319
United States Treasury Note/Bond	1.375%	1/31/21	190,000	183,736
1 United States Treasury Note/Bond	2.125%	1/31/21	102,000	100,470
United States Treasury Note/Bond	2.250%	2/15/21	225,000	222,257
United States Treasury Note/Bond	3.625%	2/15/21	32,000	32,680
United States Treasury Note/Bond	1.125%	2/28/21	150,000	143,976
United States Treasury Note/Bond	2.000%	2/28/21	250,000	245,313
United States Treasury Note/Bond	1.250%	3/31/21	200,000	192,312
United States Treasury Note/Bond	2.250%	3/31/21	200,000	197,376
United States Treasury Note/Bond	1.375%	4/30/21	285,000	274,580
United States Treasury Note/Bond	2.625%	5/15/21	85,000	84,668
United States Treasury Note/Bond	3.125%	5/15/21	46,000	46,438
United States Treasury Note/Bond	1.375%	5/31/21	190,000	182,816
United States Treasury Note/Bond	1.125%	6/30/21	93,000	88,742
United States Treasury Note/Bond	1.125%	7/31/21	50,000	47,641
United States Treasury Note/Bond	2.125%	8/15/21	170,000	166,760
United States Treasury Note/Bond	1.750%	11/30/21	225,000	217,548
United States Treasury Note/Bond	1.750%	4/30/22	35,000	33,688
United States Treasury Note/Bond	1.875%	4/30/22	5,000	4,834
United States Treasury Note/Bond	2.000%	11/30/22	53,530	51,732
				7,014,290
Agency Bonds and Notes (6.7%)				
2 AID-Iraq	2.149%	1/18/22	11,991	11,674
2 AID-Tunisia	1.416%	8/5/21	16,500	15,754
3 Fannie Mae Interest Strip	0.000%	1/15/19	2,197	2,174
3 Fannie Mae Principal Strip	0.000%	2/1/19	9,900	9,787
3 Federal National Mortgage Assn.	0.000%	10/9/19	162,100	157,117
4 Financing Corp.	0.000%	11/2/18	2,150	2,138
4 Financing Corp.	0.000%	3/7/19	5,475	5,398
4 Financing Corp.	9.700%	4/5/19	9,060	9,500
Government Trust Certificate	0.000%	10/1/20	12,119	11,369
Private Export Funding Corp.	4.375%	3/15/19	13,330	13,488
Private Export Funding Corp.	1.450%	8/15/19	30,534	30,175
Private Export Funding Corp.	2.250%	3/15/20	5,800	5,750
Private Export Funding Corp.	2.300%	9/15/20	7,550	7,464
Residual Funding Corp. Principal Strip	0.000%	1/15/21	61,200	57,079
Resolution Funding Corp. Principal Strip	0.000%	10/15/19	67,770	65,658
Resolution Funding Corp. Principal Strip	0.000%	7/15/20	27,490	26,046
Resolution Funding Corp. Principal Strip	0.000%	10/15/20	91,620	86,135
				516,706
Conventional Mortgage-Backed Securities (2.6%)				
3,5,6Fannie Mae Pool	3.500%	8/1/48	99,000	98,087
3,5,6Fannie Mae Pool	4.000%	8/1/48	46,000	46,719
3,5,6Fannie Mae Pool	4.500%	8/1/48	19,000	19,706
3,5,6Fannie Mae Pool	5.000%	10/1/48	30,000	31,580
3,5 Freddie Mac Gold Pool	6.000%	10/1/27-4/1/28	72	79
				196,171

Short-Term Treasury Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Nonconventional Mortgage-Backed Securities (0.5%)				
3.5,7 Fannie Mae REMICS 2016-1	2.414%	2/25/46	10,839	10,917
3.5,7 Fannie Mae REMICS 2016-6	2.514%	2/25/46	7,417	7,537
1,3,5,7 Fannie Mae REMICS 2016-93	2.414%	12/25/46	7,799	7,771
3.5,7 Freddie Mac REMICS	2.472%	5/15/46	7,401	7,424
3.5,7 Freddie Mac REMICS	2.522%	10/15/46	7,127	7,193
				40,842
Total U.S. Government and Agency Obligations (Cost \$7,818,417)				7,768,009

	Shares
Temporary Cash Investment (4.6%)	
Money Market Fund (4.6%)	
⁸ Vanguard Market Liquidity Fund (Cost \$350,094)	2.145%
	3,500,610
	350,061
Total Investments (105.9%) (Cost \$8,168,511)	
	8,118,070

	Expiration Date	Contracts	Exercise Price	Notional Amount (\$000)	
Liability for Options Written (0.0%)					
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	66	USD 119.25	7,871	(26)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	573	USD 120.00	68,760	(108)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	198	USD 119.50	23,661	(74)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	66	USD 119.25	7,871	(14)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	506	USD 118.50	59,961	(63)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	67	USD 120.00	8,040	(51)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	132	USD 119.00	15,708	(31)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	66	USD 119.50	7,887	(30)
Total Liability for Options Written (Premiums Received \$814)					(397)

Other Assets and Other Liabilities (-5.9%)	
Other Assets	775,240
Other Liabilities	(1,227,087)
	(451,847)
Net Assets (100%)	7,665,826

Short-Term Treasury Fund

Amount
(\$000)

Statement of Assets and Liabilities

Assets

Investments in Securities, at Value	
Unaffiliated Issuers	7,768,009
Affiliated Issuers	350,061
Total Investments in Securities	8,118,070
Investment in Vanguard	406
Receivables for Investment Securities Sold	718,424
Receivables for Accrued Income	33,918
Receivables for Capital Shares Issued	21,481
Variation Margin Receivable—Futures Contracts	239
Other Assets	772
Total Assets	8,893,310

Liabilities

Payables for Investment Securities Purchased	1,208,041
Payables for Capital Shares Redeemed	13,475
Payables for Distributions	2,633
Payables to Vanguard	2,677
Liabilities for Options Written	397
Variation Margin Payable—Futures Contracts	261
Total Liabilities	1,227,484
Net Assets	7,665,826

At July 31, 2018, net assets consisted of:

Amount
(\$000)

Paid-in Capital	7,873,160
Undistributed Net Investment Income	48
Accumulated Net Realized Losses	(156,428)
Unrealized Appreciation (Depreciation)	
Investment Securities	(50,441)
Futures Contracts	(930)
Options on Futures Contracts ⁹	417
Net Assets	7,665,826

Short-Term Treasury Fund

	Amount (\$000)
Investor Shares—Net Assets	
Applicable to 62,498,028 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	650,744
Net Asset Value Per Share—Investor Shares	\$10.41
Admiral Shares—Net Assets	
Applicable to 673,737,447 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	7,015,082
Net Asset Value Per Share—Admiral Shares	\$10.41

• See Note A in Notes to Financial Statements.

1 Securities with a value of \$7,087,000 have been segregated as initial margin for open futures contracts.

2 U.S. government-guaranteed.

3 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.

4 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.

5 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

6 Includes securities purchased on a when-issued or delayed-delivery basis for which the fund has not taken delivery as of July 31, 2018.

7 Adjustable-rate security based upon 1-month USD LIBOR plus spread.

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

9 Unrealized appreciation (depreciation) on options on futures contracts is required to be treated as realized gain (loss) for tax purposes.

REMICs — Real Estate Mortgage Investment Conduits.

Short-Term Treasury Fund

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
2-Year U.S. Treasury Note	September 2018	4,954	1,047,152	(1,538)
5-Year U.S. Treasury Note	September 2018	3,660	414,038	(718)
Ultra Long U.S. Treasury Bond	September 2018	145	22,751	22
				<u>(2,234)</u>
Short Futures Contracts				
Ultra 10-Year U.S. Treasury Note	September 2018	(1,625)	(206,553)	1,286
10-Year U.S. Treasury Note	September 2018	(567)	(67,712)	18
				<u>1,304</u>
				<u>(930)</u>

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

Six Months Ended
July 31, 2018

	(\$000)
Investment Income	
Income	
Interest ¹	87,159
Total Income	87,159
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	289
Management and Administrative—Investor Shares	583
Management and Administrative—Admiral Shares	2,910
Marketing and Distribution—Investor Shares	59
Marketing and Distribution—Admiral Shares	233
Custodian Fees	47
Shareholders' Reports—Investor Shares	9
Shareholders' Reports—Admiral Shares	34
Trustees' Fees and Expenses	3
Total Expenses	4,167
Net Investment Income	82,992
Realized Net Gain (Loss)	
Investment Securities Sold ¹	(62,794)
Futures Contracts	(8,411)
Purchased Options	(104)
Written Options	(200)
Realized Net Gain (Loss)	(71,509)
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	10,573
Futures Contracts	3,296
Written Options	857
Change in Unrealized Appreciation (Depreciation)	14,726
Net Increase (Decrease) in Net Assets Resulting from Operations	26,209

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$1,898,000, \$9,000, and (\$33,000), respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended July 31, 2018	Year Ended January 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	82,992	100,507
Realized Net Gain (Loss)	(71,509)	(72,823)
Change in Unrealized Appreciation (Depreciation)	14,726	(44,098)
Net Increase (Decrease) in Net Assets Resulting from Operations	26,209	(16,414)
Distributions		
Net Investment Income		
Investor Shares	(7,047)	(9,933)
Admiral Shares	(75,950)	(90,580)
Realized Capital Gain		
Investor Shares	—	—
Admiral Shares	—	—
Total Distributions	(82,997)	(100,513)
Capital Share Transactions		
Investor Shares	(81,059)	(151,453)
Admiral Shares	23,123	344,449
Net Increase (Decrease) from Capital Share Transactions	(57,936)	192,996
Total Increase (Decrease)	(114,724)	76,069
Net Assets		
Beginning of Period	7,780,550	7,704,481
End of Period¹	7,665,826	7,780,550

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$48,000 and \$17,000.

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.49	\$10.65	\$10.73	\$10.75	\$10.71	\$10.73
Investment Operations						
Net Investment Income	.108 ¹	.127 ¹	.094	.074	.055	.039
Net Realized and Unrealized Gain (Loss) on Investments	(.080)	(.160)	(.048)	(.004)	.053	(.009)
Total from Investment Operations	.028	(.033)	.046	.070	.108	.030
Distributions						
Dividends from Net Investment Income	(.108)	(.127)	(.094)	(.074)	(.055)	(.039)
Distributions from Realized Capital Gains	—	—	(.032)	(.016)	(.013)	(.011)
Total Distributions	(.108)	(.127)	(.126)	(.090)	(.068)	(.050)
Net Asset Value, End of Period	\$10.41	\$10.49	\$10.65	\$10.73	\$10.75	\$10.71
Total Return²	0.27%	-0.31%	0.43%	0.66%	1.01%	0.28%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$651	\$737	\$900	\$1,005	\$1,044	\$1,151
Ratio of Total Expenses to Average Net Assets	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	2.08%	1.20%	0.87%	0.69%	0.52%	0.37%
Portfolio Turnover Rate ³	222%	280%	249%	211%	87%	80%

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

1 Calculated based on average shares outstanding.

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

3 Includes 3%, 7%, 3%, 35%, 22%, and 0% attributable to mortgage-dollar-roll activity.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.49	\$10.65	\$10.73	\$10.75	\$10.71	\$10.73
Investment Operations						
Net Investment Income	.113 ¹	.138 ¹	.105	.085	.066	.050
Net Realized and Unrealized Gain (Loss) on Investments	(.080)	(.160)	(.048)	(.004)	.053	(.009)
Total from Investment Operations	.033	(.022)	.057	.081	.119	.041
Distributions						
Dividends from Net Investment Income	(.113)	(.138)	(.105)	(.085)	(.066)	(.050)
Distributions from Realized Capital Gains	—	—	(.032)	(.016)	(.013)	(.011)
Total Distributions	(.113)	(.138)	(.137)	(.101)	(.079)	(.061)
Net Asset Value, End of Period	\$10.41	\$10.49	\$10.65	\$10.73	\$10.75	\$10.71
Total Return²	0.31%	-0.21%	0.53%	0.76%	1.11%	0.38%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$7,015	\$7,044	\$6,805	\$6,271	\$5,915	\$5,360
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	2.18%	1.30%	0.97%	0.79%	0.62%	0.47%
Portfolio Turnover Rate ³	222%	280%	249%	211%	87%	80%

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

1 Calculated based on average shares outstanding.

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

3 Includes 3%, 7%, 3%, 35%, 22%, and 0% attributable to mortgage-dollar-roll activity.

Notes to Financial Statements

Vanguard Short-Term Treasury 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. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Admiral Shares are designed for investors who meet certain administrative, service, and account-size criteria.

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. Bonds and 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. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.

2. **Futures and Options:** The fund uses futures contracts and options on futures contracts to invest in fixed income asset classes with greater efficiency and lower cost than is possible through direct investment, to add value when these instruments are attractively priced, or to adjust sensitivity to changes in interest rates. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of bonds held by the fund and the prices of futures contracts, and the possibility of an illiquid market. The primary risk associated with purchasing options is that interest rates move in such a way that the option is out-of-the-money, the position is worthless at expiration, and the fund loses the premium paid. The primary risk associated with writing options is that interest rates move in such a way that the option is in-the-money, the counterparty exercises the option, and the fund loses an amount equal to the market value of the option written less the premium received. Counterparty risk involving futures and exchange-traded options is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures and options on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the six months ended July 31, 2018, the fund's average investments in long and short futures contracts represented 18% and 2% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

Options on futures contracts are also valued at their quoted daily settlement prices. The premium paid for a purchased option is recorded in the Statement of Assets and Liabilities as an asset that is subsequently adjusted daily to the current market value of the option purchased. The premium received for a written option is recorded in the Statement of Assets and Liabilities as an asset with an equal liability that is subsequently adjusted daily to the current market value of the option written. Fluctuations in the value of the options are recorded in the Statement of Operations as unrealized appreciation (depreciation) until expired, closed, or exercised, at which time realized gains (losses) are recognized.

During the six months ended July 31, 2018, the fund's average investments in options purchased and options written each represented less than 1% of net assets, based on the average of the notional amounts at each quarter-end during the period.

3. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The fund may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the fund is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The fund mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The fund may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. Under an MSFTA, upon a counterparty default (including bankruptcy), the fund may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements.

4. Mortgage Dollar Rolls: The fund enters into mortgage-dollar-roll transactions, in which the fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The fund forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The fund accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these transactions may increase the fund's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Assets and Liabilities.

5. Federal Income Taxes: The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2015–2018), and for the period ended July 31, 2018, and has concluded that no provision for federal income tax is required in the fund's financial statements.

6. Distributions: Distributions from net investment income are declared daily and paid on the first business day of the following month. Annual distributions from realized capital gains, if any, are recorded on the ex-dividend date.

7. Credit Facility: The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at July 31, 2018, or at any time during the period then ended.

8. Other: Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

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

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

Short-Term Treasury Fund

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At July 31, 2018, the fund had contributed to Vanguard capital in the amount of \$406,000, representing 0.01% of the fund's net assets and 0.16% of Vanguard's capitalization. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the fund's investments as of July 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
U.S. Government and Agency Obligations	—	7,768,009	—
Temporary Cash Investments	350,061	—	—
Liability of Options Written	(397)	—	—
Futures Contracts—Assets ¹	239	—	—
Futures Contracts—Liabilities ¹	(261)	—	—
Total	349,642	7,768,009	—

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

D. Capital gain distributions are determined on a tax basis and may differ from realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when gains or losses are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future.

The fund's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at January 31, 2018, the fund had available capital losses totaling \$89,470,000 that may be carried forward indefinitely to offset future net capital gains. The fund will use these capital losses to offset net taxable capital gains, if any, realized during the year ending January 31, 2019; should the fund realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At July 31, 2018, the cost of investment securities for tax purposes was \$8,168,511,000. Net unrealized depreciation of investment securities for tax purposes was \$50,441,000, consisting of unrealized gains of \$999,000 on securities that had risen in value since their purchase and \$51,440,000 in unrealized losses on securities that had fallen in value since their purchase.

Short-Term Treasury Fund

E. During the six months ended July 31, 2018, the fund purchased \$7,800,215,000 of investment securities and sold \$8,667,562,000 of investment securities, other than temporary cash investments.

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

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	88,285	8,445	217,914	20,530
Issued in Lieu of Cash Distributions	6,253	599	8,783	828
Redeemed	(175,597)	(16,802)	(378,150)	(35,620)
Net Increase (Decrease)—Investor Shares	(81,059)	(7,758)	(151,453)	(14,262)
Admiral Shares				
Issued	673,026	64,409	1,626,582	153,201
Issued in Lieu of Cash Distributions	62,112	5,947	74,786	7,049
Redeemed	(712,015)	(68,163)	(1,356,919)	(127,829)
Net Increase (Decrease)—Admiral Shares	23,123	2,193	344,449	32,421

G. Management has determined that no events or transactions occurred subsequent to July 31, 2018, that would require recognition or disclosure in these financial statements.

Short-Term Federal Fund

Fund Profile

As of July 31, 2018

Share-Class Characteristics

	Investor Shares	Admiral Shares
Ticker Symbol	VSGBX	VSGDX
Expense Ratio ¹	0.20%	0.10%
30-Day SEC Yield	2.46%	2.56%

Financial Attributes

	Bloomberg Barclays 1-5 Year Gov't Index Fund	Bloomberg Barclays Aggregate Bond Index
Number of Bonds	123	10,012
Yield to Maturity (before expenses)	2.9%	3.4%
Average Coupon	1.9%	3.1%
Average Duration	2.3 years	6.0 years
Average Effective Maturity	3.4 years	8.4 years
Short-Term Reserves	1.5%	—

Sector Diversification (% of portfolio)

Asset-Backed	4.9%
Government Mortgage-Backed	20.1
Treasury/Agency	75.0

The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

Volatility Measures

	Bloomberg Barclays 1-5 Year Gov't Index	Bloomberg Barclays Aggregate Bond Index
R-Squared	0.96	0.78
Beta	0.78	0.35

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Distribution by Effective Maturity (% of portfolio)

Under 1 Year	11.3%
1 - 3 Years	49.4
3 - 5 Years	19.4
5 - 7 Years	8.5
7 - 10 Years	10.9
10 - 20 Years	0.5

Distribution by Credit Quality (% of portfolio)

U.S. Government	97.9%
Aa	0.2
Not Rated	1.9

Credit-quality ratings are obtained from Moody's and S&P, and the higher rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts. For more information about these ratings, see the Glossary entry for Credit Quality.

Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

¹ The expense ratios shown are from the prospectus dated May 24, 2018, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the annualized expense ratios were 0.20% for Investor Shares and 0.10% for Admiral Shares.

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.

Fiscal-Year Total Returns (%): January 31, 2008, Through July 31, 2018

Fiscal Year	Investor Shares			Bloomberg Barclays 1-5 Year Gov't Index
	Income Returns	Capital Returns	Total Returns	Total Returns
2009	3.94%	0.84%	4.78%	5.66%
2010	2.39	1.62	4.01	2.56
2011	1.53	0.97	2.50	2.84
2012	1.00	2.09	3.09	3.26
2013	0.56	0.20	0.76	0.51
2014	0.54	-0.32	0.22	0.40
2015	0.62	0.74	1.36	1.75
2016	0.88	0.05	0.93	1.05
2017	1.07	-0.58	0.49	0.13
2018	1.32	-1.34	-0.02	-0.08
2019	0.91	-0.66	0.25	0.22

Note: For 2019, performance data reflect the six months ended July 31, 2018.

Average Annual Total Returns: Periods Ended June 30, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years		
				Income	Capital	Total
Investor Shares	12/31/1987	-0.07%	0.81%	1.28%	0.54%	1.82%
Admiral Shares	2/12/2001	0.03	0.91	1.39	0.54	1.93

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2018

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (97.0%)				
U.S. Government Securities (21.9%)				
	1.000%	3/15/19	45,000	44,648
	1.625%	3/31/19	109,000	108,523
	1.250%	5/31/19	10,500	10,403
	1.000%	6/30/19	130,000	128,335
	1.250%	6/30/19	81,510	80,644
	1.750%	9/30/19	171,000	169,504
	1.500%	10/31/19	7,800	7,700
	1.750%	11/30/19	6,100	6,035
	2.375%	4/30/20	18,300	18,214
	2.500%	5/31/20	1,100	1,097
	1.875%	12/15/20	7,250	7,109
	2.000%	1/15/21	60,580	59,520
	2.000%	2/28/21	335,000	328,719
	2.625%	6/15/21	15,460	15,397
	1.125%	6/30/21	33,200	31,680
	1.125%	7/31/21	41,500	39,542
¹	1.625%	8/31/22	8,100	7,728
	1.875%	9/30/22	14,700	14,153
	2.250%	8/15/27	3,100	2,927
				1,081,878
Agency Bonds and Notes (54.6%)				
²	2.149%	1/18/22	15,366	14,960
²	0.000%	11/1/19	14,470	13,972
²	5.500%	9/18/23	13,000	14,548
²	5.500%	12/4/23	200	225
²	5.500%	4/26/24	4,567	5,147
²	0.000%	11/1/24	6,905	5,637
²	2.503%	10/30/20	2,600	2,569
²	2.578%	6/30/22	33,500	32,802
²	1.416%	8/5/21	12,300	11,744
²	1.844%	5/16/19	11,665	11,636
³	0.000%	1/15/19	1,560	1,544
³	0.000%	2/1/19	25,682	25,387
⁴	0.625%	8/7/18	6,440	6,439
⁴	1.750%	12/14/18	3,000	2,996
⁴	1.250%	1/16/19	45,400	45,194
⁴	1.375%	3/18/19	21,000	20,879

Short-Term Federal Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)	
4	Federal Home Loan Banks	5.375%	5/15/19	46,000	47,058
4	Federal Home Loan Banks	1.375%	5/28/19	34,300	34,012
4	Federal Home Loan Banks	0.875%	8/5/19	83,500	82,172
4	Federal Home Loan Banks	1.750%	6/12/20	20,000	19,652
4.5	Federal Home Loan Banks	1.800%	8/28/20	50,000	48,985
4.5	Federal Home Loan Banks	1.800%	8/28/20	123,250	120,749
3.5	Federal Home Loan Mortgage Corp.	1.800%	4/13/20	75,000	73,808
3.5	Federal Home Loan Mortgage Corp.	1.700%	9/29/20	164,060	160,224
3.5	Federal Home Loan Mortgage Corp.	1.800%	9/29/20	75,000	73,387
3.5	Federal Home Loan Mortgage Corp.	2.753%	1/30/23	50,000	49,213
3.5	Federal Home Loan Mortgage Corp.	3.250%	6/14/23	123,979	123,663
3.5	Federal Home Loan Mortgage Corp.	3.270%	6/14/23	100,000	99,746
3	Federal Home Loan Mortgage Corp.	2.750%	6/19/23	103,000	102,076
3.5	Federal National Mortgage Assn.	1.250%	9/27/18	10,000	9,988
3	Federal National Mortgage Assn.	1.375%	1/28/19	33,750	33,606
3	Federal National Mortgage Assn.	0.875%	8/2/19	16,950	16,683
3	Federal National Mortgage Assn.	0.000%	10/9/19	275,300	266,837
3.5	Federal National Mortgage Assn.	1.250%	11/25/19	75,000	73,623
3.5	Federal National Mortgage Assn.	1.150%	11/29/19	77,500	76,058
3.5	Federal National Mortgage Assn.	1.750%	1/17/20	50,000	49,285
3	Federal National Mortgage Assn.	2.750%	6/22/21	67,100	66,971
3	Federal National Mortgage Assn.	1.875%	9/24/26	75,650	68,664
4	Financing Corp.	0.000%	11/2/18	1,540	1,532
4	Financing Corp.	0.000%	12/6/18	32,496	32,250
4	Financing Corp.	0.000%	3/7/19	3,910	3,855
4	Financing Corp.	9.700%	4/5/19	5,820	6,103
	Government Trust Certificate	0.000%	4/1/20	10,419	9,935
	Government Trust Certificate	0.000%	10/1/20	7,711	7,234
	Private Export Funding Corp.	4.375%	3/15/19	9,570	9,684
	Private Export Funding Corp.	1.450%	8/15/19	24,042	23,759
	Private Export Funding Corp.	2.250%	3/15/20	12,393	12,285
	Private Export Funding Corp.	2.300%	9/15/20	17,450	17,251
	Private Export Funding Corp.	4.300%	12/15/21	4,430	4,619
	Private Export Funding Corp.	3.550%	1/15/24	15,500	15,844
	Private Export Funding Corp.	2.450%	7/15/24	5,300	5,107
	Private Export Funding Corp.	3.250%	6/15/25	16,200	16,234
	Residual Funding Corp. Principal Strip	0.000%	1/15/21	52,508	48,973
	Resolution Funding Corp. Interest Strip	0.000%	4/15/26	12,990	10,141
	Resolution Funding Corp. Interest Strip	0.000%	1/15/27	12,864	9,746
	Resolution Funding Corp. Interest Strip	0.000%	4/15/27	13,756	10,337
	Resolution Funding Corp. Interest Strip	0.000%	7/15/27	7,094	5,287
	Resolution Funding Corp. Interest Strip	0.000%	10/15/27	7,094	5,234
	Resolution Funding Corp. Principal Strip	0.000%	10/15/19	86,131	83,447
	Resolution Funding Corp. Principal Strip	0.000%	7/15/20	98,370	93,202
	Resolution Funding Corp. Principal Strip	0.000%	10/15/20	269,717	253,569
4	Tennessee Valley Authority	2.250%	3/15/20	61,100	60,625
4	Tennessee Valley Authority	4.700%	7/15/33	20,990	23,930
4	Tennessee Valley Authority Principal Strip	0.000%	11/1/25	17,342	13,674
				2,695,996	

Conventional Mortgage-Backed Securities (11.9%)

3.5	Fannie Mae Pool	2.000%	10/1/27-1/1/32	20,895	19,718
3.5	Fannie Mae Pool	2.500%	2/1/28-11/1/31	122,837	118,995
3.5	Fannie Mae Pool	3.000%	12/1/20-8/1/33	48,264	47,969
3.5,6	Fannie Mae Pool	3.500%	8/1/20-8/1/48	112,550	112,436
3.5,6	Fannie Mae Pool	4.000%	8/1/18-8/1/48	39,210	39,921

Short-Term Federal Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
3.5,6 Fannie Mae Pool	4.500%	8/1/18–8/1/48	14,107	14,607
3.5,6 Fannie Mae Pool	5.000%	9/1/18–10/1/48	22,197	23,353
3.5 Fannie Mae Pool	5.500%	12/1/18–1/1/25	346	353
3.5 Fannie Mae Pool	6.000%	5/1/24	1	1
3.5 Freddie Mac Gold Pool	2.000%	9/1/28–6/1/30	6,990	6,589
3.5 Freddie Mac Gold Pool	2.500%	6/1/22–1/1/33	67,398	65,172
3.5,6 Freddie Mac Gold Pool	3.000%	4/1/27–8/1/33	113,388	112,314
3.5 Freddie Mac Gold Pool	3.500%	3/1/21–8/1/29	14,276	14,455
3.5 Freddie Mac Gold Pool	4.000%	8/1/18–1/1/29	7,070	7,243
3.5 Freddie Mac Gold Pool	4.500%	9/1/19–9/1/26	4,925	4,990
3.5 Freddie Mac Gold Pool	5.000%	8/1/18–6/1/25	1,751	1,793
3.5 Freddie Mac Gold Pool	5.500%	2/1/19	6	6
3.5 Freddie Mac Gold Pool	6.000%	10/1/18	2	2

589,917

Nonconventional Mortgage-Backed Securities (8.6%)

3.5,7 Fannie Mae Pool	3.832%	12/1/40	1,512	1,593
3.5,8 Fannie Mae REMICS 2005-45	2.434%	6/25/35	949	951
3.5,8 Fannie Mae REMICS 2005-95	2.474%	11/25/35	1,070	1,078
3.5,8 Fannie Mae REMICS 2006-46	2.384%	6/25/36	3,548	3,551
3.5,8 Fannie Mae REMICS 2007-4	2.509%	2/25/37	392	394
3.5,8 Fannie Mae REMICS 2011-83	2.564%	9/25/41	23,842	24,160
3.5,8 Fannie Mae REMICS 2012-122	2.464%	11/25/42	1,296	1,303
3.5,8 Fannie Mae REMICS 2013-19	2.364%	9/25/41	1,743	1,748
3.5,8 Fannie Mae REMICS 2013-39	2.414%	5/25/43	1,655	1,655
3.5,8 Fannie Mae REMICS 2015-22	2.364%	4/25/45	1,400	1,402
3.5,8 Fannie Mae REMICS 2016-55	2.564%	8/25/46	2,805	2,842
3.5,8 Fannie Mae REMICS 2016-60	2.314%	9/25/46	5,599	5,588
3.5,8 Fannie Mae REMICS 2016-62	2.464%	9/25/46	5,667	5,659
3.5,8 Fannie Mae REMICS 2016-93	2.414%	12/25/46	10,628	10,590
3.5,8 Fannie Mae REMICS 2017-106	2.364%	1/25/48	29,359	29,339
3.5 Fannie Mae REMICS 2018-15	3.500%	10/25/44	4,788	4,795
3.5,8 Fannie Mae REMICS 2018-30	2.364%	5/25/48	59,646	59,681
3.5,7 Freddie Mac Non Gold Pool	3.421%	7/1/35	6,334	6,689
3.5,7 Freddie Mac Non Gold Pool	3.623%	9/1/37	4,879	5,139
3.5,7 Freddie Mac Non Gold Pool	3.852%	7/1/33	831	874
3.5,8 Freddie Mac REMICS	2.372%	5/15/48	144,243	143,950
3.5,8 Freddie Mac REMICS	2.422%	11/15/36–11/15/47	23,709	23,712
3.5,8 Freddie Mac REMICS	2.432%	11/15/36	914	916
3.5,8 Freddie Mac REMICS	2.522%	6/15/42	485	489
5 Ginnie Mae REMICS	3.000%	1/20/45–3/20/48	90,463	89,163

427,261

Total U.S. Government and Agency Obligations (Cost \$4,868,557)

4,795,052

Asset-Backed/Commercial Mortgage-Backed Securities (5.0%)

5 Small Business Administration Participation Certs 2017-20	2.880%	5/1/37	3,852	3,725
5 Small Business Administration Participation Certs 2017-20	2.850%	10/1/37	20,297	19,526
5 Small Business Administration Participation Certs 2017-20	2.790%	11/1/37	27,110	25,768
5 Small Business Administration Participation Certs 2017-20	2.780%	12/1/37	22,938	21,944
5 Small Business Administration Participation Certs 2017-20	3.310%	4/1/38	41,100	40,528

Short-Term Federal Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
⁵ Small Business Administration Participation Certs 2017-20	3.600%	6/1/38	16,000	15,990
⁵ Small Business Administration Participation Certs 2017-20B	2.820%	2/1/37	4,231	4,045
⁵ Small Business Administration Participation Certs 2017-20F	2.810%	6/1/37	2,376	2,275
⁵ Small Business Administration Participation Certs 2018-20	2.920%	1/1/38	19,168	18,499
⁵ Small Business Administration Participation Certs 2018-20	3.220%	2/1/38	31,900	31,254
⁵ Small Business Administration Participation Certs 2018-20C	3.200%	3/1/38	44,300	43,386
⁵ Small Business Administration Participation Certs 2018-20E	3.500%	5/1/38	9,000	8,919
⁵ Small Business Administration Participation Certs 2018-20G	3.540%	7/1/38	10,500	10,445
Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost \$252,236)				246,304

Shares

Temporary Cash Investment (1.6%)

Money Market Fund (1.6%)

⁹ Vanguard Market Liquidity Fund (Cost \$78,609)	2.145%		786,061	78,606
Total Investments (103.6%) (Cost \$5,199,402)				5,119,962

	Expiration Date	Contracts	Exercise Price	Notional Amount (\$000)	
Liability for Options Written (0.0%)					
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	43	USD 119.25	5,128	(17)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	43	USD 120.00	5,160	(8)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	129	USD 119.50	15,416	(49)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	43	USD 119.25	5,128	(9)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	43	USD 120.00	5,160	(33)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	86	USD 119.00	10,234	(20)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	43	USD 119.50	5,139	(19)
Total Liability for Options Written (Premiums Received \$178)					(155)

Short-Term Federal Fund

	Market Value* (\$000)
Other Assets and Other Liabilities (-3.6%)	
Other Assets	204,431
Other Liabilities	(383,529)
	<u>(179,098)</u>
Net Assets (100%)	4,940,709

	Amount (\$000)
Statement of Assets and Liabilities	
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers	5,041,356
Affiliated Issuers	78,606
Total Investments in Securities	<u>5,119,962</u>
Investment in Vanguard	264
Receivables for Investment Securities Sold	176,401
Receivables for Accrued Income	18,528
Receivables for Capital Shares Issued	8,551
Variation Margin Receivable—Futures Contracts	197
Other Assets	490
Total Assets	5,324,393
Liabilities	
Payables for Investment Securities Purchased	366,340
Payables for Capital Shares Redeemed	13,356
Payables for Distributions	946
Payables to Vanguard	2,494
Liabilities for Options Written	155
Variation Margin Payable—Futures Contracts	393
Total Liabilities	383,684
Net Assets	4,940,709

Short-Term Federal Fund

At July 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	5,079,001
Overdistributed Net Investment Income	(82)
Accumulated Net Realized Losses	(59,386)
Unrealized Appreciation (Depreciation)	
Investment Securities	(79,440)
Futures Contracts	593
Options on Futures Contracts ¹⁰	23
Net Assets	4,940,709

Investor Shares—Net Assets

Applicable to 64,890,146 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	680,321
Net Asset Value Per Share—Investor Shares	\$10.48

Admiral Shares—Net Assets

Applicable to 406,363,532 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	4,260,388
Net Asset Value Per Share—Admiral Shares	\$10.48

- See Note A in Notes to Financial Statements.
 - 1 Securities with a value of \$2,958,000 have been segregated as initial margin for open futures contracts.
 - 2 U.S. government-guaranteed.
 - 3 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.
 - 4 The issuer operates under a congressional charter; its securities are generally neither guaranteed by the U.S. Treasury nor backed by the full faith and credit of the U.S. government.
 - 5 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.
 - 6 Includes securities purchased on a when-issued or delayed-delivery basis for which the fund has not taken delivery as of July 31, 2018.
 - 7 Adjustable-rate security based upon one-year Constant Maturity Treasury yield plus spread.
 - 8 Adjustable-rate security based upon 1-month USD LIBOR plus spread.
 - 9 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
 - 10 Unrealized appreciation (depreciation) on options on futures contracts is required to be treated as realized gain (loss) for tax purposes.
- REMICS—Real Estate Mortgage Investment Conduits.

Short-Term Federal Fund

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
2-Year U.S. Treasury Note	September 2018	4,042	854,378	(1,349)
5-Year U.S. Treasury Note	September 2018	926	104,754	(35)
				(1,384)
Short Futures Contracts				
10-Year U.S. Treasury Note	September 2018	(2,798)	(334,142)	1,432
Ultra 10-Year U.S. Treasury Note	September 2018	(343)	(43,599)	242
30-Year U.S. Treasury Bond	September 2018	(159)	(22,732)	289
Ultra Long U.S. Treasury Bond	September 2018	(95)	(14,906)	14
				1977
				593

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

Six Months Ended
July 31, 2018

	(\$000)
Investment Income	
Income	
Interest ¹	49,894
Total Income	49,894
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	185
Management and Administrative—Investor Shares	597
Management and Administrative—Admiral Shares	1,765
Marketing and Distribution—Investor Shares	55
Marketing and Distribution—Admiral Shares	142
Custodian Fees	23
Shareholders' Reports—Investor Shares	10
Shareholders' Reports—Admiral Shares	15
Trustees' Fees and Expenses	2
Total Expenses	2,794
Net Investment Income	47,100
Realized Net Gain (Loss)	
Investment Securities Sold ¹	(23,338)
Futures Contracts	(695)
Purchased Options	(429)
Written Options	(54)
Realized Net Gain (Loss)	(24,516)
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	(10,058)
Futures Contracts	1,382
Written Options	321
Change in Unrealized Appreciation (Depreciation)	(8,355)
Net Increase (Decrease) in Net Assets Resulting from Operations	14,229

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$964,000, (\$31,000), and (\$3,000), respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended July 31, 2018	Year Ended January 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	47,100	76,835
Realized Net Gain (Loss)	(24,516)	(32,883)
Change in Unrealized Appreciation (Depreciation)	(8,355)	(34,932)
Net Increase (Decrease) in Net Assets Resulting from Operations	14,229	9,020
Distributions		
Net Investment Income		
Investor Shares	(6,363)	(10,473)
Admiral Shares	(40,796)	(66,401)
Realized Capital Gain		
Investor Shares	—	(486)
Admiral Shares	—	(2,823)
Total Distributions	(47,159)	(80,183)
Capital Share Transactions		
Investor Shares	(34,134)	(97,217)
Admiral Shares	49,779	(519,477)
Net Increase (Decrease) from Capital Share Transactions	15,645	(616,694)
Total Increase (Decrease)	(17,285)	(687,857)
Net Assets		
Beginning of Period	4,957,994	5,645,851
End of Period¹	4,940,709	4,957,994

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of (\$82,000) and (\$23,000).

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
	2018	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.55	\$10.70	\$10.79	\$10.82	\$10.74	\$10.78
Investment Operations						
Net Investment Income	.096 ¹	.142 ¹	.116	.095	.066	.058
Net Realized and Unrealized Gain (Loss) on Investments	(.070)	(.144)	(.063)	.005	.080	(.034)
Total from Investment Operations	.026	(.002)	.053	.100	.146	.024
Distributions						
Dividends from Net Investment Income	(.096)	(.142)	(.116)	(.095)	(.066)	(.058)
Distributions from Realized Capital Gains	—	(.006)	(.027)	(.035)	—	(.006)
Total Distributions	(.096)	(.148)	(.143)	(.130)	(.066)	(.064)
Net Asset Value, End of Period	\$10.48	\$10.55	\$10.70	\$10.79	\$10.82	\$10.74
Total Return²	0.25%	-0.02%	0.49%	0.93%	1.36%	0.22%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$680	\$719	\$827	\$817	\$924	\$1,051
Ratio of Total Expenses to Average Net Assets	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	1.84%	1.33%	1.07%	0.88%	0.61%	0.54%
Portfolio Turnover Rate ³	232%	211%	304%	314%	361%	418%

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

1 Calculated based on average shares outstanding.

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

3 Includes 19%, 30%, 38%, 75%, 99%, and 87% attributable to mortgage-dollar-roll activity.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.55	\$10.70	\$10.79	\$10.82	\$10.74	\$10.78
Investment Operations						
Net Investment Income	.101 ¹	.153 ¹	.127	.105	.077	.069
Net Realized and Unrealized Gain (Loss) on Investments	(.070)	(.144)	(.063)	.005	.080	(.034)
Total from Investment Operations	.031	.009	.064	.110	.157	.035
Distributions						
Dividends from Net Investment Income	(.101)	(.153)	(.127)	(.105)	(.077)	(.069)
Distributions from Realized Capital Gains	—	(.006)	(.027)	(.035)	—	(.006)
Total Distributions	(.101)	(.159)	(.154)	(.140)	(.077)	(.075)
Net Asset Value, End of Period	\$10.48	\$10.55	\$10.70	\$10.79	\$10.82	\$10.74
Total Return²	0.30%	0.08%	0.59%	1.03%	1.47%	0.33%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$4,260	\$4,239	\$4,819	\$4,342	\$4,122	\$4,205
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	1.94%	1.43%	1.17%	0.98%	0.71%	0.64%
Portfolio Turnover Rate ³	232%	211%	304%	314%	361%	418%

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

1 Calculated based on average shares outstanding.

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

3 Includes 19%, 30%, 38%, 75%, 99%, and 87% attributable to mortgage-dollar-roll activity.

Notes to Financial Statements

Vanguard Short-Term Federal 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. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Admiral Shares are designed for investors who meet certain administrative, service, and account-size criteria.

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. Bonds and 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. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.

2. **Futures and Options:** The fund uses futures contracts and options on futures contracts to invest in fixed income asset classes with greater efficiency and lower cost than is possible through direct investment, to add value when these instruments are attractively priced, or to adjust sensitivity to changes in interest rates. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of bonds held by the fund and the prices of futures contracts, and the possibility of an illiquid market. The primary risk associated with purchasing options is that interest rates move in such a way that the option is out-of-the-money, the position is worthless at expiration, and the fund loses the premium paid. The primary risk associated with writing options is that interest rates move in such a way that the option is in-the-money, the counterparty exercises the option, and the fund loses an amount equal to the market value of the option written less the premium received. Counterparty risk involving futures and exchange-traded options is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures and options on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the six months ended July 31, 2018, the fund's average investments in long and short futures contracts represented 16% and 7% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

Options on futures contracts are valued at their quoted daily settlement prices. The premium paid for a purchased option is recorded in the Statement of Assets and Liabilities as an asset that is subsequently adjusted daily to the current market value of the option purchased. The premium received for a written option is recorded in the Statement of Assets and Liabilities as an asset with an equal liability that is subsequently adjusted daily to the current market value of the option written. Fluctuations in the value of the options are recorded in the Statement of Operations as unrealized appreciation (depreciation) until expired, closed, or exercised, at which time realized gains (losses) are recognized.

During the six months ended July 31, 2018, the fund's average value of investments in options purchased and options written each represented less than 1% of net assets, based on the average market values at each quarter-end during the period.

3. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The fund may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the fund is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The fund mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The fund may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. Under an MSFTA, upon a counterparty default (including bankruptcy), the fund may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements.

At July 31, 2018, a counterparty had deposited in a segregated account cash of \$225,000 in connection with TBA transactions.

4. Mortgage Dollar Rolls: The fund enters into mortgage-dollar-roll transactions, in which the fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The fund forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The fund accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these transactions may increase the fund's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Assets and Liabilities.

5. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2015–2018), and for the period ended July 31, 2018, and has concluded that no provision for federal income tax is required in the fund's financial statements.

6. **Distributions:** Distributions from net investment income are declared daily and paid on the first business day of the following month. Annual distributions from realized capital gains, if any, are recorded on the ex-dividend date.

7. **Credit Facility:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at July 31, 2018, or at any time during the period then ended.

8. **Other:** Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

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

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

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At July 31, 2018, the fund had contributed to Vanguard capital in the amount of \$264,000, representing 0.01% of the fund's net assets and 0.11% of Vanguard's capitalization. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the fund's investments as of July 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
U.S. Government and Agency Obligations	—	4,795,052	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	246,304	—
Temporary Cash Investments	78,606	—	—
Liability for Options Written	(155)	—	—
Futures Contracts—Assets ¹	197	—	—
Futures Contracts—Liabilities ¹	(393)	—	—
Total	78,255	5,041,356	—

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

D. Capital gain distributions are determined on a tax basis and may differ from realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when gains or losses are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future.

The fund's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at January 31, 2018, the fund had available capital losses totaling \$35,428,000 that may be carried forward indefinitely to offset future net capital gains. The fund will use these capital losses to offset net taxable capital gains, if any, realized during the year ending January 31, 2019; should the fund realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At July 31, 2018, the cost of investment securities for tax purposes was \$5,199,402,000. Net unrealized depreciation of investment securities for tax purposes was \$79,440,000, consisting of unrealized gains of \$855,000 on securities that had risen in value since their purchase and \$80,295,000 in unrealized losses on securities that had fallen in value since their purchase.

Short-Term Federal Fund

E. During the six months ended July 31, 2018, the fund purchased \$4,386,385,000 of investment securities and sold \$4,212,126,000 of investment securities, other than temporary cash investments.

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

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	60,597	5,764	136,535	12,788
Issued in Lieu of Cash Distributions	5,806	552	10,071	944
Redeemed	(100,537)	(9,560)	(243,823)	(22,844)
Net Increase (Decrease)—Investor Shares	(34,134)	(3,244)	(97,217)	(9,112)
Admiral Shares				
Issued	590,568	56,159	1,255,782	117,654
Issued in Lieu of Cash Distributions	36,270	3,450	61,249	5,739
Redeemed	(577,059)	(54,864)	(1,836,508)	(172,159)
Net Increase (Decrease)—Admiral Shares	49,779	4,745	(519,477)	(48,766)

G. Management has determined that no events or transactions occurred subsequent to July 31, 2018, that would require recognition or disclosure in these financial statements.

Intermediate-Term Treasury Fund

Fund Profile

As of July 31, 2018

Share-Class Characteristics

	Investor Shares	Admiral Shares
Ticker Symbol	VFITX	VFIUX
Expense Ratio ¹	0.20%	0.10%
30-Day SEC Yield	2.65%	2.75%

Financial Attributes

	Fund	Bloomberg Barclays 5-10 Year Treasury Index	Bloomberg Barclays Aggregate Bond Index
Number of Bonds	118	54	10,012
Yield to Maturity (before expenses)	3.0%	2.9%	3.4%
Average Coupon	2.2%	2.4%	3.1%
Average Duration	5.2 years	6.3 years	6.0 years
Average Effective Maturity	6.0 years	7.0 years	8.4 years
Short-Term Reserves	0.6%	—	—

Sector Diversification (% of portfolio)

Asset-Backed	5.1%
Government Mortgage-Backed	3.0
Treasury/Agency	91.9

The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

Volatility Measures

	Bloomberg Barclays 5-10 Year Treasury Index	Bloomberg Barclays Aggregate Bond Index
R-Squared	0.99	0.86
Beta	0.80	1.10

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Distribution by Effective Maturity (% of portfolio)

1 - 3 Years	0.2%
3 - 5 Years	33.6
5 - 7 Years	43.8
7 - 10 Years	22.4

Distribution by Credit Quality (% of portfolio)

U.S. Government	99.3%
Not Rated	0.7

Credit-quality ratings are obtained from Moody's and S&P, and the higher rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts. For more information about these ratings, see the Glossary entry for Credit Quality.

Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

¹ The expense ratios shown are from the prospectus dated May 24, 2018, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the annualized expense ratios were 0.20% for Investor Shares and 0.10% for Admiral Shares.

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.

Fiscal-Year Total Returns (%): January 31, 2008, Through July 31, 2018

Fiscal Year	Investor Shares			Bloomberg Barclays 5-10 Year Treasury Index
	Income Returns	Capital Returns	Total Returns	Total Returns
2009	3.88%	3.41%	7.29%	9.48%
2010	3.10	-0.39	2.71	0.47
2011	2.70	2.89	5.59	6.69
2012	2.11	8.25	10.36	13.95
2013	1.34	-0.24	1.10	1.46
2014	1.47	-2.21	-0.74	-1.47
2015	1.74	3.64	5.38	7.66
2016	1.65	-0.48	1.17	1.38
2017	1.51	-2.35	-0.84	-1.41
2018	1.76	-2.07	-0.31	0.07
2019	1.13	-1.29	-0.16	-0.20

Note: For 2019, performance data reflect the six months ended July 31, 2018.

Average Annual Total Returns: Periods Ended June 30, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years		
				Income	Capital	Total
Investor Shares	10/28/1991	-1.45%	1.31%	2.04%	1.13%	3.17%
Admiral Shares	2/12/2001	-1.35	1.41	2.15	1.13	3.28

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2018

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (96.6%)				
U.S. Government Securities (89.4%)				
United States Treasury Note/Bond	2.125%	8/15/21	52,000	51,009
United States Treasury Note/Bond	1.125%	8/31/21	8,000	7,610
United States Treasury Note/Bond	2.000%	8/31/21	30,000	29,311
United States Treasury Note/Bond	1.125%	9/30/21	35,000	33,250
United States Treasury Note/Bond	2.000%	10/31/21	46,000	44,879
United States Treasury Note/Bond	8.000%	11/15/21	10,000	11,628
United States Treasury Note/Bond	1.750%	11/30/21	32,000	30,940
United States Treasury Note/Bond	1.875%	11/30/21	37,000	35,925
United States Treasury Note/Bond	1.750%	2/28/22	53,000	51,112
United States Treasury Note/Bond	1.875%	2/28/22	93,000	90,065
United States Treasury Note/Bond	1.750%	3/31/22	50,000	48,172
United States Treasury Note/Bond	1.875%	3/31/22	71,000	68,704
United States Treasury Note/Bond	1.750%	4/30/22	65,000	62,562
United States Treasury Note/Bond	1.875%	4/30/22	137,000	132,463
United States Treasury Note/Bond	1.750%	5/15/22	70,000	67,332
United States Treasury Note/Bond	1.875%	5/31/22	23,000	22,224
United States Treasury Note/Bond	1.750%	6/30/22	63,000	60,519
United States Treasury Note/Bond	1.875%	7/31/22	84,000	81,008
United States Treasury Note/Bond	2.000%	7/31/22	27,000	26,169
United States Treasury Note/Bond	1.625%	8/15/22	51,000	48,689
United States Treasury Note/Bond	1.875%	8/31/22	46,000	44,332
United States Treasury Note/Bond	1.750%	9/30/22	83,000	79,512
United States Treasury Note/Bond	1.875%	9/30/22	100,000	96,281
United States Treasury Note/Bond	1.875%	10/31/22	57,500	55,317
United States Treasury Note/Bond	2.000%	10/31/22	70,000	67,682
United States Treasury Note/Bond	1.625%	11/15/22	58,000	55,190
United States Treasury Note/Bond	2.000%	11/30/22	18,000	17,395
United States Treasury Note/Bond	2.125%	12/31/22	91,000	88,326
United States Treasury Note/Bond	2.375%	1/31/23	73,000	71,585
United States Treasury Note/Bond	2.000%	2/15/23	30,000	28,941
United States Treasury Note/Bond	7.125%	2/15/23	6,000	7,088
United States Treasury Note/Bond	1.500%	2/28/23	30,000	28,284
United States Treasury Note/Bond	2.625%	2/28/23	49,000	48,563
United States Treasury Note/Bond	1.500%	3/31/23	35,000	32,966
United States Treasury Note/Bond	2.500%	3/31/23	35,000	34,481
United States Treasury Note/Bond	1.625%	4/30/23	43,000	40,682

Intermediate-Term Treasury Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
United States Treasury Note/Bond	2.750%	4/30/23	60,000	59,737
United States Treasury Note/Bond	1.750%	5/15/23	76,000	72,295
United States Treasury Note/Bond	1.625%	5/31/23	30,000	28,359
United States Treasury Note/Bond	1.250%	7/31/23	20,000	18,512
United States Treasury Note/Bond	2.500%	8/15/23	15,000	14,754
United States Treasury Note/Bond	1.375%	8/31/23	40,000	37,206
United States Treasury Note/Bond	1.375%	9/30/23	89,000	82,673
United States Treasury Note/Bond	1.625%	10/31/23	91,000	85,525
United States Treasury Note/Bond	2.750%	11/15/23	44,000	43,753
United States Treasury Note/Bond	2.125%	11/30/23	65,000	62,613
United States Treasury Note/Bond	2.250%	12/31/23	74,000	71,687
United States Treasury Note/Bond	2.250%	1/31/24	82,000	79,386
United States Treasury Note/Bond	2.750%	2/15/24	115,000	114,246
United States Treasury Note/Bond	2.125%	2/29/24	68,000	65,354
United States Treasury Note/Bond	2.125%	3/31/24	72,500	69,622
United States Treasury Note/Bond	2.000%	4/30/24	57,000	54,328
United States Treasury Note/Bond	2.500%	5/15/24	156,000	152,733
United States Treasury Note/Bond	2.000%	5/31/24	72,000	68,580
United States Treasury Note/Bond	2.000%	6/30/24	54,000	51,384
United States Treasury Note/Bond	2.125%	7/31/24	54,000	51,705
United States Treasury Note/Bond	2.375%	8/15/24	163,018	158,281
United States Treasury Note/Bond	2.125%	9/30/24	62,000	59,287
United States Treasury Note/Bond	2.250%	10/31/24	62,000	59,685
United States Treasury Note/Bond	2.250%	11/15/24	110,200	106,033
United States Treasury Note/Bond	2.125%	11/30/24	57,000	54,426
United States Treasury Note/Bond	2.250%	12/31/24	39,000	37,495
United States Treasury Note/Bond	2.000%	2/15/25	125,000	118,164
United States Treasury Note/Bond	7.625%	2/15/25	12,000	15,349
United States Treasury Note/Bond	2.750%	2/28/25	33,000	32,670
United States Treasury Note/Bond	2.625%	3/31/25	60,000	58,931
United States Treasury Note/Bond	2.875%	4/30/25	66,000	65,815
United States Treasury Note/Bond	2.125%	5/15/25	116,800	111,070
United States Treasury Note/Bond	2.875%	5/31/25	82,000	81,756
United States Treasury Note/Bond	2.750%	6/30/25	63,000	62,311
United States Treasury Note/Bond	2.000%	8/15/25	68,250	64,240
United States Treasury Note/Bond	2.250%	11/15/25	70,000	66,872
United States Treasury Note/Bond	1.625%	2/15/26	99,884	91,035
United States Treasury Note/Bond	1.625%	5/15/26	92,891	84,415
United States Treasury Note/Bond	1.500%	8/15/26	108,740	97,527
United States Treasury Note/Bond	2.000%	11/15/26	128,000	119,080
United States Treasury Note/Bond	2.250%	2/15/27	90,500	85,721
United States Treasury Note/Bond	2.375%	5/15/27	100,000	95,547
United States Treasury Note/Bond	2.250%	8/15/27	96,100	90,724
United States Treasury Note/Bond	2.250%	11/15/27	116,000	109,330
¹ United States Treasury Note/Bond	6.125%	11/15/27	17,000	21,346
United States Treasury Note/Bond	2.750%	2/15/28	113,000	111,004
United States Treasury Note/Bond	2.875%	5/15/28	58,000	57,583
				5,200,345

Agency Bonds and Notes (4.1%)

² AID-Iraq	2.149%	1/18/22	9,930	9,668
² AID-Israel	5.500%	9/18/23	14,500	16,227
² AID-Israel	5.500%	4/26/24	4,700	5,297
² AID-Israel	0.000%	5/1/24	13,215	10,787
² AID-Israel	0.000%	11/1/24	75,000	61,225

Intermediate-Term Treasury Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
2 AID-Israel	0.000%	8/15/25	15,929	12,579
2 AID-Tunisia	1.416%	8/5/21	15,200	14,513
Private Export Funding Corp.	2.300%	9/15/20	13,600	13,445
Private Export Funding Corp.	4.300%	12/15/21	4,150	4,327
Private Export Funding Corp.	3.550%	1/15/24	18,500	18,910
Private Export Funding Corp.	2.450%	7/15/24	6,085	5,863
Private Export Funding Corp.	3.250%	6/15/25	18,600	18,640
Resolution Funding Corp. Interest Strip	0.000%	4/15/26	15,950	12,451
Resolution Funding Corp. Interest Strip	0.000%	1/15/27	15,818	11,984
Resolution Funding Corp. Interest Strip	0.000%	4/15/27	16,673	12,529
Resolution Funding Corp. Interest Strip	0.000%	7/15/27	8,704	6,487
Resolution Funding Corp. Interest Strip	0.000%	10/15/27	8,704	6,422
				241,354
Conventional Mortgage-Backed Securities (2.6%)				
3,4,5Fannie Mae Pool	3.500%	8/1/48	75,000	74,309
3,4,5Fannie Mae Pool	4.000%	8/1/48	34,000	34,531
3,4,5Fannie Mae Pool	4.500%	8/1/48	15,000	15,558
3,4,5Fannie Mae Pool	5.000%	10/1/48	23,000	24,211
				148,609
Nonconventional Mortgage-Backed Securities (0.5%)				
3,4,6Fannie Mae REMICS 2016-1	2.414%	2/25/46	9,712	9,782
3,4,6Fannie Mae REMICS 2016-6	2.514%	2/25/46	6,646	6,754
3,4,6Freddie Mac REMICS	2.472%	5/15/46	6,583	6,604
3,4,6Freddie Mac REMICS	2.522%	10/15/46	6,294	6,352
				29,492
Total U.S. Government and Agency Obligations (Cost \$5,716,516)				5,619,800
Asset-Backed/Commercial Mortgage-Backed Securities (5.2%)				
3 Small Business Administration Participation Certs 2017-20	2.880%	5/1/37	4,581	4,431
3 Small Business Administration Participation Certs 2017-20	2.850%	10/1/37	24,807	23,865
3 Small Business Administration Participation Certs 2017-20	2.790%	11/1/37	31,791	30,217
3 Small Business Administration Participation Certs 2017-20K	2.780%	12/1/37	27,055	25,882
3 Small Business Administration Participation Certs 2017-20	3.310%	4/1/38	50,900	50,191
3 Small Business Administration Participation Certs 2017-20	3.600%	6/1/38	19,000	18,988
3 Small Business Administration Participation Certs 2017-20B	2.820%	2/1/37	5,015	4,795
3 Small Business Administration Participation Certs 2017-20F	2.810%	6/1/37	2,810	2,691
3 Small Business Administration Participation Certs 2018-20	2.920%	1/1/38	23,666	22,840
3 Small Business Administration Participation Certs 2018-20	3.220%	2/1/38	38,900	38,112
3 Small Business Administration Participation Certs 2018-20C	3.200%	3/1/38	55,200	54,061

Intermediate-Term Treasury Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
³ Small Business Administration Participation Certs 2018-20E	3.500%	5/1/38	11,000	10,902
³ Small Business Administration Participation Certs 2018-20G	3.540%	7/1/38	12,500	12,435
Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost \$306,581)				299,410

Shares

Temporary Cash Investment (0.6%)

Money Market Fund (0.6%)

⁷ Vanguard Market Liquidity Fund (Cost \$38,026)	2.145%		380,239	38,024
Total Investments (102.4%) (Cost \$6,061,123)				5,957,234

	Expiration Date	Contracts	Exercise Price	Notional Amount (\$000)	
Liability for Options Written (0.0%)					
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	50	USD 119.25	5,963	(19)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	443	USD 120.00	53,160	(83)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	151	USD 119.50	18,045	(57)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	50	USD 119.25	5,963	(11)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	392	USD 118.50	46,452	(49)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	51	USD 120.00	6,120	(39)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	101	USD 119.00	12,019	(24)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	50	USD 119.50	5,975	(23)
Total Liability on Options Written (Premiums Received \$627)					(305)

Amount (\$000)

Other Assets and Other Liabilities (-2.4%)

Other Assets	281,687
Other Liabilities	(422,862)
	(141,175)
Net Assets (100%)	5,815,754

Intermediate-Term Treasury Fund

	Amount (\$000)
Statement of Assets and Liabilities	
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers	5,919,210
Affiliated Issuers	38,024
Total Investments in Securities	5,957,234
Investment in Vanguard	312
Receivables for Investment Securities Sold	234,081
Receivables for Accrued Income	36,012
Receivables for Capital Shares Issued	10,867
Variation Margin Receivable—Futures Contracts	162
Other Assets	253
Total Assets	6,238,921
Liabilities	
Payables for Investment Securities Purchased	392,080
Payables for Capital Shares Redeemed	25,842
Payables for Distributions	1,834
Payables to Vanguard	2,806
Liabilities for Options Written	305
Variation Margin Payable—Futures Contracts	300
Total Liabilities	423,167
Net Assets	5,815,754

At July 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	6,136,425
Undistributed Net Investment Income	40
Accumulated Net Realized Losses	(218,066)
Unrealized Appreciation (Depreciation)	
Investment Securities	(103,889)
Futures Contracts	922
Options on Futures Contracts ⁸	322
Net Assets	5,815,754

Intermediate-Term Treasury Fund

	Amount (\$000)
Investor Shares—Net Assets	
Applicable to 79,464,715 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	853,453
Net Asset Value Per Share—Investor Shares	\$10.74
Admiral Shares—Net Assets	
Applicable to 462,036,096 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	4,962,301
Net Asset Value Per Share—Admiral Shares	\$10.74

• See Note A in Notes to Financial Statements.

1 Securities with a value of \$2,917,000 have been segregated as initial margin for open futures contracts.

2 U.S. government-guaranteed.

3 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

4 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.

5 Includes securities purchased on a when-issued or delayed-delivery basis for which the fund has not taken delivery as of July 31, 2018.

6 Adjustable-rate security based upon 1-month USD LIBOR plus spread.

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

8 Unrealized appreciation (depreciation) on options contracts is required to be treated as realized gain (loss) for tax purposes.

REMICs—Real Estate Mortgage Investment Conduits.

Intermediate-Term Treasury Fund

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
2-Year U.S. Treasury Note	September 2018	1,382	292,120	(446)
5-Year U.S. Treasury Note	September 2018	1,719	194,462	(271)
Ultra Long U.S. Treasury Bond	September 2018	114	17,887	6
				(711)
Short Futures Contracts				
10-Year U.S. Treasury Note	September 2018	(2,221)	(265,236)	663
Ultra 10-Year U.S. Treasury Note	September 2018	(1,332)	(169,310)	970
				1,633
				922

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

Six Months Ended
July 31, 2018

	(\$000)
Investment Income	
Income	
Interest ¹	73,820
Total Income	73,820
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	223
Management and Administrative—Investor Shares	784
Management and Administrative—Admiral Shares	2,091
Marketing and Distribution—Investor Shares	74
Marketing and Distribution—Admiral Shares	169
Custodian Fees	29
Shareholders' Reports—Investor Shares	15
Shareholders' Reports—Admiral Shares	23
Trustees' Fees and Expenses	2
Total Expenses	3,410
Net Investment Income	70,410
Realized Net Gain (Loss)	
Investment Securities Sold ¹	(112,963)
Futures Contracts	(3,406)
Purchased Options	(94)
Written Options	(158)
Realized Net Gain (Loss)	(116,621)
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	33,708
Futures Contracts	2,748
Written Options	674
Change in Unrealized Appreciation (Depreciation)	37,130
Net Increase (Decrease) in Net Assets Resulting from Operations	(9,081)

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$284,000, (\$23,000), and (\$2,000), respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended July 31, 2018	Year Ended January 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	70,410	116,914
Realized Net Gain (Loss)	(116,621)	(69,107)
Change in Unrealized Appreciation (Depreciation)	37,130	(58,052)
Net Increase (Decrease) in Net Assets Resulting from Operations	(9,081)	(10,245)
Distributions		
Net Investment Income		
Investor Shares	(10,487)	(19,267)
Admiral Shares	(59,919)	(97,614)
Realized Capital Gain		
Investor Shares	—	—
Admiral Shares	—	—
Total Distributions	(70,406)	(116,881)
Capital Share Transactions		
Investor Shares	(101,119)	(198,622)
Admiral Shares	(71,048)	17,884
Net Increase (Decrease) from Capital Share Transactions	(172,167)	(180,738)
Total Increase (Decrease)	(251,654)	(307,864)
Net Assets		
Beginning of Period	6,067,408	6,375,272
End of Period¹	5,815,754	6,067,408

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$40,000 and (\$6,000).

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.88	\$11.11	\$11.51	\$11.66	\$11.29	\$11.60
Investment Operations						
Net Investment Income	.123 ¹	.198 ¹	.177	.188	.188	.170
Net Realized and Unrealized Gain (Loss) on Investments	(.140)	(.230)	(.271)	(.057)	.410	(.256)
Total from Investment Operations	(.017)	(.032)	(.094)	.131	.598	(.086)
Distributions						
Dividends from Net Investment Income	(.123)	(.198)	(.177)	(.188)	(.188)	(.170)
Distributions from Realized Capital Gains	—	—	(.129)	(.093)	(.040)	(.054)
Total Distributions	(.123)	(.198)	(.306)	(.281)	(.228)	(.224)
Net Asset Value, End of Period	\$10.74	\$10.88	\$11.11	\$11.51	\$11.66	\$11.29
Total Return²	-0.16%	-0.31%	-0.84%	1.17%	5.38%	-0.74%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$853	\$967	\$1,185	\$1,326	\$1,391	\$1,469
Ratio of Total Expenses to Average Net Assets	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	2.30%	1.78%	1.53%	1.64%	1.66%	1.48%
Portfolio Turnover Rate ³	213%	181%	152%	142%	63%	42%

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

1 Calculated based on average shares outstanding.

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

3 Includes 3%, 6%, 3%, 34%, 22%, and 0% attributable to mortgage-dollar-roll activity.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.88	\$11.11	\$11.51	\$11.66	\$11.29	\$11.60
Investment Operations						
Net Investment Income	.128 ¹	.210 ¹	.188	.199	.199	.181
Net Realized and Unrealized Gain (Loss) on Investments	(.140)	(.230)	(.271)	(.057)	.410	(.256)
Total from Investment Operations	(.012)	(.020)	(.083)	.142	.609	(.075)
Distributions						
Dividends from Net Investment Income	(.128)	(.210)	(.188)	(.199)	(.199)	(.181)
Distributions from Realized Capital Gains	—	—	(.129)	(.093)	(.040)	(.054)
Total Distributions	(.128)	(.210)	(.317)	(.292)	(.239)	(.235)
Net Asset Value, End of Period	\$10.74	\$10.88	\$11.11	\$11.51	\$11.66	\$11.29
Total Return²	-0.11%	-0.21%	-0.74%	1.27%	5.48%	-0.64%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$4,962	\$5,100	\$5,190	\$4,849	\$4,287	\$3,619
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	2.40%	1.88%	1.63%	1.74%	1.76%	1.58%
Portfolio Turnover Rate ³	213%	181%	152%	142%	63%	42%

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

1 Calculated based on average shares outstanding.

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

3 Includes 3%, 6%, 3%, 34%, 22%, and 0% attributable to mortgage-dollar-roll activity.

Notes to Financial Statements

Vanguard Intermediate-Term Treasury 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. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Admiral Shares are designed for investors who meet certain administrative, service, and account-size criteria.

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. Bonds and 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. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.
- 2. Futures and Options:** The fund uses futures contracts and options on futures contracts to invest in fixed income asset classes with greater efficiency and lower cost than is possible through direct investment, to add value when these instruments are attractively priced, or to adjust sensitivity to changes in interest rates. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of bonds held by the fund and the prices of futures contracts, and the possibility of an illiquid market. The primary risk associated with purchasing options is that interest rates move in such a way that the option is out-of-the-money, the position is worthless at expiration, and the fund loses the premium paid. The primary risk associated with writing options is that interest rates move in such a way that the option is in-the-money, the counterparty exercises the option, and the fund loses an amount equal to the market value of the option written less the premium received. Counterparty risk involving futures and exchange-traded options is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures and options on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the six months ended July 31, 2018, the fund's average investments in long and short futures contracts represented 8% and 5% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

Options on futures contracts are also valued at their quoted daily settlement prices. The premium paid for a purchased option is recorded in the Statement of Assets and Liabilities as an asset that is subsequently adjusted daily to the current market value of the option purchased. The premium received for a written option is recorded in the Statement of Assets and Liabilities as an asset with an equal liability that is subsequently adjusted daily to the current market value of the option written. Fluctuations in the value of the options are recorded in the Statement of Operations as unrealized appreciation (depreciation) until expired, closed, or exercised, at which time realized gains (losses) are recognized.

During the six months ended July 31, 2018, the fund's average value of investments in options purchased and options written each represented less than 1% of net assets, respectively, based on the average market values at each quarter-end during the period.

3. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The fund may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the fund is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The fund mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The fund may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. Under an MSFTA, upon a counterparty default (including bankruptcy), the fund may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements.

4. Mortgage Dollar Rolls: The fund enters into mortgage-dollar-roll transactions, in which the fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The fund forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The fund accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these

transactions may increase the fund's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Assets and Liabilities.

5. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2015–2018), and for the period ended July 31, 2018, and has concluded that no provision for federal income tax is required in the fund's financial statements.

6. **Distributions:** Distributions from net investment income are declared daily and paid on the first business day of the following month. Annual distributions from realized capital gains, if any, are recorded on the ex-dividend date.

7. **Credit Facility:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at July 31, 2018, or at any time during the period then ended.

8. **Other:** Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

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

B. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund investment advisory, corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees. Vanguard does not require reimbursement in the current period

Intermediate-Term Treasury Fund

for certain costs of operations (such as deferred compensation/benefits and risk/insurance costs); the fund's liability for these costs of operations is included in Payables to Vanguard on the Statement of Assets and Liabilities. All other costs of operations payable to Vanguard are generally settled twice a month.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At July 31, 2018, the fund had contributed to Vanguard capital in the amount of \$312,000, representing 0.01% of the fund's net assets and 0.12% of Vanguard's capitalization. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the fund's investments as of July 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
U.S. Government and Agency Obligations	—	5,619,800	—
Asset-Backed/Commercial Mortgage-Backed Securities	—	299,410	—
Temporary Cash Investments	38,024	—	—
Liability for Options Written	(305)	—	—
Futures Contracts—Assets ¹	162	—	—
Futures Contracts—Liabilities ¹	(300)	—	—
Total	37,581	5,919,210	—

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

D. Capital gain distributions are determined on a tax basis and may differ from realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when gains or losses are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future.

The fund's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at January 31, 2018, the fund had available capital losses totaling \$103,623,000 that may be carried forward indefinitely to offset future net capital gains. The fund will use these capital losses to offset net taxable capital gains, if any, realized during the year ending January 31, 2019; should the fund realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

Intermediate-Term Treasury Fund

At July 31, 2018, the cost of investment securities for tax purposes was \$6,061,123,000. Net unrealized depreciation of investment securities for tax purposes was \$103,889,000, consisting of unrealized gains of \$1,479,000 on securities that had risen in value since their purchase and \$105,368,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended July 31, 2018, the fund purchased \$6,346,164,000 of investment securities and sold \$6,379,576,000 of investment securities, other than temporary cash investments.

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

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	108,687	10,049	223,142	20,010
Issued in Lieu of Cash Distributions	9,499	880	17,581	1,577
Redeemed	(219,305)	(20,338)	(439,345)	(39,398)
Net Increase (Decrease)—Investor Shares	(101,119)	(9,409)	(198,622)	(17,811)
Admiral Shares				
Issued	573,128	53,090	1,260,285	112,952
Issued in Lieu of Cash Distributions	49,838	4,616	80,863	7,258
Redeemed	(694,014)	(64,301)	(1,323,264)	(118,721)
Net Increase (Decrease)—Admiral Shares	(71,048)	(6,595)	17,884	1,489

G. Management has determined that no events or transactions occurred subsequent to July 31, 2018, that would require recognition or disclosure in these financial statements.

GNMA Fund

Fund Profile

As of July 31, 2018

Share-Class Characteristics

	Investor Shares	Admiral Shares
Ticker Symbol	VFIIX	VFIJX
Expense Ratio ¹	0.21%	0.11%
30-Day SEC Yield	2.78%	2.88%

Financial Attributes

	Fund	Bloomberg Barclays GNMA Index	Bloomberg Barclays Aggregate Bond Index
Number of Bonds	43	91	10,012
Yield to Maturity (before expenses)	3.5%	3.4%	3.4%
Average Coupon	3.6%	3.6%	3.1%
Average Duration	4.5 years	5.2 years	6.0 years
Average Effective Maturity	7.9 years	7.7 years	8.4 years
Short-Term Reserves	5.0%	—	—

Number of Bonds: Issues are mortgage pools grouped by coupon.

Sector Diversification (% of portfolio)

Asset-Backed	1.7%
Collateralized Mortgage Obligations	3.1
Government Mortgage-Backed	93.5
Other Government	1.7

The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

Volatility Measures

	Bloomberg Barclays GNMA Index	Bloomberg Barclays Aggregate Bond Index
R-Squared	0.98	0.85
Beta	1.02	0.65

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Distribution by Credit Quality (% of portfolio)

U.S. Government	100.0%
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Credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts. For more information about these ratings, see the Glossary entry for Credit Quality.

Distribution by Coupon (% of portfolio)

Less Than 1.0%	0.5%
1.0% to 4.0%	64.6
4.0% to 6.0%	32.3
6.0% and above	2.6

Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/ Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

¹ The expense ratios shown are from the prospectus dated May 24, 2018, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the annualized expense ratios were 0.21% for Investor Shares and 0.11% for Admiral Shares.

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.

Fiscal-Year Total Returns (%): January 31, 2008, Through July 31, 2018

Fiscal Year	Investor Shares			Bloomberg Barclays GNMA Index
	Income Returns	Capital Returns	Total Returns	Total Returns
2009	5.08%	0.57%	5.65%	5.98%
2010	3.94	2.87	6.81	6.78
2011	3.42	2.29	5.71	5.33
2012	3.41	4.55	7.96	8.21
2013	2.61	-1.26	1.35	1.54
2014	2.28	-1.94	0.34	0.25
2015	2.66	2.63	5.29	4.56
2016	2.35	-0.52	1.83	2.10
2017	2.19	-1.70	0.49	0.28
2018	2.66	-1.81	0.85	0.86
2019	1.43	-1.16	0.27	0.25

Note: For 2019, performance data reflect the six months ended July 31, 2018.

Average Annual Total Returns: Periods Ended June 30, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years		
				Income	Capital	Total
Investor Shares	6/27/1980	-0.01%	2.26%	2.96%	0.66%	3.62%
Admiral Shares	2/12/2001	0.09	2.36	3.07	0.66	3.73

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2018

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (97.2%)				
U.S. Government Securities (1.1%)				
United States Treasury Inflation Indexed				
Bonds	0.625%	1/15/26	239,900	250,003
Conventional Mortgage-Backed Securities (92.4%)				
1.2 Fannie Mae Pool	2.500%	10/1/26–8/1/46	19,630	18,605
1.2 Fannie Mae Pool	2.640%	12/1/31	15,516	14,117
1.2 Fannie Mae Pool	2.690%	10/1/27	33,670	31,543
1.2 Fannie Mae Pool	2.710%	9/1/31	7,110	6,496
1.2 Fannie Mae Pool	2.720%	9/1/31	1,451	1,333
1.2 Fannie Mae Pool	2.775%	11/1/27	3,420	3,200
1.2 Fannie Mae Pool	2.870%	12/1/27–1/1/28	147,601	140,600
1.2 Fannie Mae Pool	2.890%	12/1/27	27,087	25,820
1.2 Fannie Mae Pool	2.920%	2/1/28	7,502	7,159
1.2 Fannie Mae Pool	2.940%	12/1/27	44,540	42,007
1.2 Fannie Mae Pool	2.950%	6/1/31	1,925	1,787
1.2 Fannie Mae Pool	2.960%	12/1/27–6/1/31	100,512	95,569
1.2 Fannie Mae Pool	2.970%	12/1/27	6,559	6,197
1.2 Fannie Mae Pool	3.000%	4/1/25–1/1/31	—	—
1.2 Fannie Mae Pool	3.030%	5/1/29–2/1/30	40,130	38,109
1.2 Fannie Mae Pool	3.050%	7/1/31	2,000	1,878
1.2 Fannie Mae Pool	3.090%	3/1/30	8,775	8,393
1.2 Fannie Mae Pool	3.100%	9/1/29–2/1/33	41,830	39,023
1.2 Fannie Mae Pool	3.110%	11/1/27–2/1/28	23,000	22,073
1.2 Fannie Mae Pool	3.160%	12/1/32–2/1/33	28,358	26,671
1.2 Fannie Mae Pool	3.170%	1/1/30	19,944	19,063
1.2 Fannie Mae Pool	3.190%	9/1/29	3,725	3,560
1.2 Fannie Mae Pool	3.210%	3/1/29–1/1/33	26,325	24,732
1.2 Fannie Mae Pool	3.220%	1/1/33	21,438	20,713
1.2 Fannie Mae Pool	3.240%	3/1/28	6,269	6,129
1.2 Fannie Mae Pool	3.250%	5/1/32	16,500	15,766
1.2 Fannie Mae Pool	3.260%	1/1/33	10,920	10,542
1.2 Fannie Mae Pool	3.270%	7/1/30	40,538	39,081
1.2 Fannie Mae Pool	3.280%	5/1/28–5/1/29	68,523	66,711
1.2 Fannie Mae Pool	3.290%	6/1/29	22,065	21,279
1.2 Fannie Mae Pool	3.320%	7/1/30	14,200	13,780
1.2 Fannie Mae Pool	3.330%	4/1/32	10,818	10,317
1.2 Fannie Mae Pool	3.350%	1/1/30–11/1/30	15,192	14,752
1.2 Fannie Mae Pool	3.370%	4/1/28	6,000	5,925

GNMA Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)	
1.2	Fannie Mae Pool	3.380%	4/1/28	6,000	5,951
1.2	Fannie Mae Pool	3.410%	5/1/32–2/1/33	22,025	21,280
1.2	Fannie Mae Pool	3.420%	4/1/31	1,489	1,453
1.2	Fannie Mae Pool	3.425%	2/1/30	15,850	15,359
1.2	Fannie Mae Pool	3.430%	6/1/30	1,280	1,255
1.2,5	Fannie Mae Pool	3.440%	7/1/28	52,583	52,025
1.2	Fannie Mae Pool	3.460%	4/1/28–9/1/29	13,807	13,639
1.2	Fannie Mae Pool	3.490%	7/1/30	9,736	9,578
1.2	Fannie Mae Pool	3.500%	2/1/27–8/1/48	16,992	17,217
1.2	Fannie Mae Pool	3.510%	3/1/33	7,125	7,053
1.2	Fannie Mae Pool	3.540%	5/1/28–6/1/30	64,504	64,560
1.2	Fannie Mae Pool	3.550%	2/1/30	8,875	8,844
1.2	Fannie Mae Pool	3.570%	5/1/28–10/1/29	12,553	12,531
1.2	Fannie Mae Pool	3.580%	5/1/28–1/1/31	54,017	53,549
1.2	Fannie Mae Pool	3.590%	9/1/30	50,357	49,697
1.2	Fannie Mae Pool	3.660%	7/1/30	15,150	15,133
1.2	Fannie Mae Pool	3.725%	4/1/33	9,594	9,618
1.2	Fannie Mae Pool	3.800%	7/1/30	6,300	6,376
1.2	Fannie Mae Pool	3.830%	6/1/34	3,291	3,316
1.2,5	Fannie Mae Pool	3.840%	7/1/30	7,500	7,652
1.2	Fannie Mae Pool	3.890%	5/1/30	14,113	14,163
1.2	Fannie Mae Pool	3.960%	5/1/34	6,064	6,156
1.2	Fannie Mae Pool	4.000%	5/1/46–6/1/46	8,796	8,937
1.2	Fannie Mae Pool	4.060%	3/1/29	3,962	4,024
1.2	Fannie Mae Pool	4.080%	2/1/29	2,906	2,970
1.2	Fannie Mae Pool	4.150%	10/1/28–1/1/31	73,865	75,583
1.2	Fannie Mae Pool	4.180%	11/1/30	29,397	29,919
1.2	Fannie Mae Pool	4.250%	10/1/28	1,230	1,276
1.2	Fannie Mae Pool	4.280%	11/1/28	5,244	5,446
1.2	Fannie Mae Pool	4.380%	10/1/28	9,635	10,074
1.2	Fannie Mae Pool	4.400%	8/1/28	2,175	2,279
1.2	Fannie Mae Pool	4.500%	12/1/40–3/1/44	3,149	3,291
1.2	Fannie Mae Pool	6.000%	7/1/22	4	4
1.2	Fannie Mae Pool	6.500%	2/1/29–5/1/40	2,498	2,746
1.2	Freddie Mac Gold Pool	3.000%	6/1/43–8/1/48	18,084	17,499
1.2	Freddie Mac Gold Pool	3.500%	12/1/47–7/1/48	3,717	3,817
1.2	Freddie Mac Gold Pool	4.000%	9/1/30–4/1/44	7,593	7,757
1.2	Freddie Mac Gold Pool	4.500%	4/1/34–8/1/48	2,092	2,512
1.2	Freddie Mac Gold Pool	5.000%	11/1/23–8/1/48	26,667	28,479
1	Ginnie Mae I Pool	2.500%	11/15/42–9/15/43	95,954	91,070
1	Ginnie Mae I Pool	3.000%	1/15/26–8/1/48	1,135,587	1,111,100
1,3	Ginnie Mae I Pool	3.500%	7/15/39–9/1/48	765,512	766,814
1	Ginnie Mae I Pool	3.750%	7/15/42	3,397	3,441
1	Ginnie Mae I Pool	3.875%	5/15/42–6/15/42	5,703	5,838
1	Ginnie Mae I Pool	4.000%	6/15/19–8/1/48	1,027,377	1,055,749
1	Ginnie Mae I Pool	4.500%	4/15/33–1/15/45	667,413	699,887
1	Ginnie Mae I Pool	5.000%	1/15/30–8/1/48	601,196	639,733
1	Ginnie Mae I Pool	5.500%	9/15/23–8/1/48	411,137	438,132
1	Ginnie Mae I Pool	6.000%	3/15/19–8/1/48	222,345	238,721
1	Ginnie Mae I Pool	6.500%	4/15/23–7/15/40	159,157	170,606
1	Ginnie Mae I Pool	7.000%	11/15/31–11/15/36	48,112	52,988
1	Ginnie Mae I Pool	7.250%	1/15/27–2/15/27	24	24
1,3	Ginnie Mae I Pool	7.500%	10/15/31	18,408	20,907
1	Ginnie Mae I Pool	8.000%	8/15/31	6,720	7,687

GNMA Fund

		Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
1	Ginnie Mae I Pool	8.500%	9/15/19–6/15/28	784	822
1	Ginnie Mae I Pool	9.000%	11/15/19–5/15/21	2	2
1	Ginnie Mae I Pool	9.500%	11/15/18–8/15/21	125	132
1	Ginnie Mae I Pool	10.000%	7/15/19	—	—
1	Ginnie Mae II Pool	1.500%	6/20/39–6/20/47	1,232	1,026
1	Ginnie Mae II Pool	2.000%	10/20/43–2/20/47	891	769
1	Ginnie Mae II Pool	2.500%	11/20/42–8/1/48	476,852	450,264
1	Ginnie Mae II Pool	3.000%	4/20/31–8/1/48	2,674,816	2,615,744
1,4,5	Ginnie Mae II Pool	3.500%	10/20/40–8/1/48	6,654,900	6,664,353
1,4	Ginnie Mae II Pool	4.000%	4/20/39–8/1/48	2,839,766	2,909,346
1,4	Ginnie Mae II Pool	4.500%	12/20/32–8/1/48	865,195	906,723
1	Ginnie Mae II Pool	5.000%	10/20/32–3/20/45	305,476	326,567
1	Ginnie Mae II Pool	5.500%	1/20/34–7/20/40	33,536	35,687
1	Ginnie Mae II Pool	6.000%	4/20/28–8/20/40	43,125	46,541
1	Ginnie Mae II Pool	6.500%	4/20/37–3/20/41	1,141	1,262
1	Ginnie Mae II Pool	7.500%	6/20/25–8/20/25	99	111
					20,667,994

Nonconventional Mortgage-Backed Securities (3.7%)

1,2	Fannie Mae Pool	2.322%	8/1/43	12,615	12,438
1,2	Fannie Mae Pool	2.785%	9/1/44	13,294	13,129
1,2	Fannie Mae REMICS	3.000%	6/25/43–2/25/57	123,633	118,947
1,2	Fannie Mae REMICS	3.500%	7/25/44–12/25/57	39,613	38,940
1,2	Fannie Mae REMICS	6.000%	10/25/28–9/25/32	4,600	5,002
1,2	Freddie Mac Non Gold Pool	2.254%	9/1/43	8,696	8,533
1,2	Freddie Mac Non Gold Pool	2.267%	8/1/43	18,935	18,642
1,2	Freddie Mac Non Gold Pool	2.680%	10/1/44	25,040	24,495
1,2	Freddie Mac Non Gold Pool	2.747%	7/1/44	7,093	6,956
1,2	Freddie Mac Non Gold Pool	2.838%	10/1/44	11,495	11,269
1,2	Freddie Mac Non Gold Pool	2.897%	4/1/44	12,157	11,942
1,2	Freddie Mac Non Gold Pool	2.950%	9/1/44	8,561	8,385
1,2	Freddie Mac Non Gold Pool	3.093%	10/1/44	17,186	16,697
1,2	Freddie Mac REMICS	3.000%	8/15/42–3/15/48	97,336	88,696
1,2	Freddie Mac REMICS	6.000%	4/15/28–11/15/32	12,705	13,773
1	Ginnie Mae REMICS	2.000%	7/20/42	19,397	18,034
1,6	Ginnie Mae REMICS	2.286%	2/20/37	3,254	3,239
1	Ginnie Mae REMICS	2.350%	5/17/46	35,302	33,857
1	Ginnie Mae REMICS	2.500%	12/16/39–11/20/43	65,419	57,625
1	Ginnie Mae REMICS	2.650%	11/17/48	16,220	15,396
1	Ginnie Mae REMICS	3.000%	3/20/40–5/20/47	76,669	68,972
1	Ginnie Mae REMICS	3.000%	4/20/47	12,915	12,527
1	Ginnie Mae REMICS	3.250%	8/20/44	8,104	6,964
1	Ginnie Mae REMICS	3.500%	7/20/43–9/20/44	32,109	31,558
1	Ginnie Mae REMICS	3.750%	7/20/44	9	9
1	Ginnie Mae REMICS	4.500%	6/20/39	4,238	4,497
1	Ginnie Mae REMICS	5.000%	6/16/37	14,666	15,860
1	Ginnie Mae REMICS	5.500%	8/16/36	12,832	13,236
1	Government National Mortgage Assn.	2.500%	10/20/45–1/20/48	68,224	62,916
1	Government National Mortgage Assn.	3.000%	7/20/43–11/20/47	73,598	69,434
1	Government National Mortgage Assn.	3.500%	5/20/45	15,191	14,326
					826,294
Total U.S. Government and Agency Obligations (Cost \$22,220,650)					21,744,291

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
Asset-Backed/Commercial Mortgage-Backed Securities (1.7%)				
1.2 Fannie Mae REMICS	3.000%	11/25/47	2,789	2,576
1.2.7 Fannie Mae-Aces	3.090%	2/25/30	107,935	102,299
1.2 Fannie Mae-Aces 2018-M2	2.902%	1/25/28	77,000	73,459
1.2 FHLMC Multifamily Structured Pass Through Certificates K064	3.224%	3/25/27	5,500	5,398
1.2 FHLMC Multifamily Structured Pass Through Certificates K072	3.444%	12/25/27	20,000	19,902
¹ Government National Mortgage Assn.	1.750%	10/20/42	6,977	6,407
¹ Government National Mortgage Assn.	3.500%	8/16/44	4,621	4,516
¹ Government National Mortgage Assn.	2.000%	10/20/44	4,778	4,372
¹ Government National Mortgage Assn.	3.000%	1/20/48	165,075	163,820
Total Asset-Backed/Commercial Mortgage-Backed Securities (Cost \$387,412)				382,749
Temporary Cash Investments (5.3%)				
Repurchase Agreements (2.5%)				
Bank of America Securities, LLC (Dated 7/31/18, Repurchase Value \$25,501,000, collateralized by Federal Home Loan Mortgage Corp., 3.000%, 10/1/45–3/1/48, with a value of \$26,010,000)				
	1.930%	8/1/18	25,500	25,500
Bank of Montreal (Dated 7/31/18, Repurchase Value \$121,806,000, collateralized by U.S. Treasury Bill 0.000%, 4/25/19, and U.S. Treasury Note/Bond 0.875%–3.125%, 4/30/19–5/15/45, with a value of \$124,236,000)				
	1.900%	8/1/18	121,800	121,800
Barclays Capital Inc. (Dated 7/31/18, Repurchase Value \$130,407,000, by U.S. Treasury Bill 0.000%, 9/20/18–7/18/19, and U.S. Treasury Note/Bond 1.125%–8.125%, 2/15/21–5/15/46, with a value of \$133,008,000)				
	1.900%	8/1/18	130,400	130,400
Citigroup Global Markets Inc. (Dated 7/31/18, Repurchase Value \$128,507,000, collateralized by U.S. Treasury Note/Bond, 1.750%–2.625%, 9/30/22–2/28/23, with a value of \$131,070,000)				
	1.910%	8/1/18	128,500	128,500
Societe Generale (Dated 7/31/18, Repurchase Value \$20,401,000, collateralized by U.S. Treasury Bill 0.000%, 12/6/18, and U.S. Treasury Note/Bond 2.125%–8.500%, 2/15/20–11/15/44, with a value of \$20,808,000)				
	1.900%	8/1/18	20,400	20,400

GNMA Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
TD Securities (USA) LLC (Dated 7/31/18, Repurchase Value \$9,801,000, collateralized by Federal Home Loan Mortgage Corp. 3.500%, 7/1/46, with a value of \$9,996,000)	1.910%	8/1/18	9,800	9,800
HSBC Securities USA (Dated 7/31/18, Repurchase Value \$37,702,000, collateralized by U.S. Treasury Bill 0.000%, 1/24/19, and U.S. Treasury Note/Bond 2.625%–2.750%, 3/31/25–11/15/47, with a value of \$38,454,000)	1.900%	8/1/18	37,700	37,700
HSBC Securities USA (Dated 7/31/18, Repurchase Value \$8,300,000, collateralized by Federal Home Loan Mortgage Corp. 4.500%, 1/1/47, and Federal National Mortgage Assn., 2.500%–5.000%, 7/1/23–2/1/46 with a value of \$8,466,000)	1.910%	8/1/18	8,300	8,300
Wells Fargo & Co. (Dated 7/31/18, Repurchase Value \$66,004,000, collateralized by Federal National Mortgage Assn., 3.000%–4.500%, 4/1/31–2/1/48, with a value of \$67,320,000)	1.930%	8/1/18	66,000	66,000
				548,400
U.S. Government and Agency Obligations (1.3%)				
United States Treasury Bill	1.831%	8/9/18	293,736	293,616
			Shares	
Money Market Fund (1.5%)				
⁸ Vanguard Market Liquidity Fund	2.145%		3,315,192	331,519
Total Temporary Cash Investments (Cost \$1,173,537)				1,173,535
Total Investments (104.2%) (Cost \$23,781,599)				23,300,575
Other Assets and Liabilities (-4.2%)				
Other Assets ⁹				2,545,457
Liabilities				(3,476,924)
				(931,467)
Net Assets (100%)				22,369,108

Amount
(\$000)**Statement of Assets and Liabilities****Assets**

Investments in Securities, at Value	
Unaffiliated Issuers	22,969,056
Affiliated Issuers	331,519
Total Investments in Securities	23,300,575
Investment in Vanguard	1,197
Receivables for Investment Securities Sold	2,396,601
Receivables for Accrued Income	71,078
Receivables for Capital Shares Issued	13,016
Variation Margin Receivable—Futures Contracts	1,523
Other Assets ⁹	62,042
Total Assets	25,846,032

Liabilities

Payables for Investment Securities Purchased	3,412,972
Payables to Investment Advisor	558
Payables for Capital Shares Redeemed	22,993
Payables for Distributions	8,849
Payables to Vanguard	30,785
Variation Margin Payable—Futures Contracts	135
Variation Margin Payable—CC Swap Contracts	632
Total Liabilities	3,476,924

Net Assets	22,369,108
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At July 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	23,191,003
Overdistributed Net Investment Income	(1,619)
Accumulated Net Realized Losses	(372,823)
Unrealized Appreciation (Depreciation)	
Investment Securities	(481,024)
Futures Contracts	(2,292)
Swap Contracts	35,863
Net Assets	22,369,108

Amount
(\$000)**Investor Shares—Net Assets**

Applicable to 694,706,210 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	7,082,681
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Net Asset Value Per Share—Investor Shares	\$10.20
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Admiral Shares—Net Assets

Applicable to 1,499,369,593 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	15,286,427
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Net Asset Value Per Share—Admiral Shares	\$10.20
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• See Note A in Notes to Financial Statements.

§ Certain of the fund's securities are valued using significant unobservable inputs.

1 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments.

2 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.

3 Certain of the fund's securities with a value of \$22,722,000 have been segregated as initial margin for open futures contracts.

4 Includes securities purchased on a when-issued or delayed-delivery basis for which the fund has not taken delivery as of July 31, 2018.

5 Certain of the fund's securities with a value of \$86,167,000 have been segregated as initial margin for open centrally cleared interest rate swap contracts.

6 Adjustable-rate security based upon 1-month USD LIBOR plus spread.

7 Adjustable-rate security.

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

9 Cash of \$7,095,000 has been segregated as collateral for certain open To Be Announced (TBA) transactions.

REMICs—Real Estate Mortgage Investment Conduits.

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				
10-Year U.S. Treasury Note	September 2018	7,025	838,939	(1,835)
5-Year U.S. Treasury Note	September 2018	1,748	197,743	(17)
Ultra 10-Year U.S. Treasury Note	September 2018	1,491	189,520	(203)
30-Year U.S. Treasury Bond	September 2018	199	28,451	(237)
			<u>(2,292)</u>	

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Centrally Cleared Interest Rate Swaps

Termination Date	Future Effective Date	Notional Amount (\$000)	Fixed Interest Rate Received (Paid) ² (%)	Floating Interest Rate Received (Paid) (%)	Value (\$000)	Unrealized Appreciation (Depreciation) (\$000)
4/30/25	10/29/18 ¹	521,800	(3.000)	0.000 ³	157	161
3/15/28	9/17/18 ¹	130,575	(2.893)	2.341 ³	1,458	1,458
3/21/28	N/A	645,074	(2.250)	2.330 ³	42,281	33,805
6/19/28	9/18/18 ¹	190,535	(3.002)	2.335 ³	439	439
					44,335	35,863

1 Forward interest rate swap. In a forward interest rate swap, the fund and the counterparty agree to make periodic net payments beginning on a specified future effective date.

2 Fixed interest payment received/paid semiannually.

3 Based on 3-month London Interbank Offered Rate (LIBOR) as of the most recent payment date. Floating interest payment received/paid quarterly.

Unrealized appreciation (depreciation) on open swap contracts is generally treated the same for financial reporting and tax purposes.

Statement of Operations

Six Months Ended
July 31, 2018

	(\$000)
Investment Income	
Income	
Interest ¹	357,148
Total Income	357,148
Expenses	
Investment Advisory Fees—Note B	1,132
The Vanguard Group—Note C	
Management and Administrative—Investor Shares	6,599
Management and Administrative—Admiral Shares	7,210
Marketing and Distribution—Investor Shares	433
Marketing and Distribution—Admiral Shares	383
Custodian Fees	233
Shareholders' Reports—Investor Shares	88
Shareholders' Reports—Admiral Shares	69
Trustees' Fees and Expenses	18
Total Expenses	16,165
Net Investment Income	340,983
Realized Net Gain (Loss)	
Investment Securities Sold ¹	(100,338)
Futures Contracts	(30,542)
Swap Contracts	38,686
Realized Net Gain (Loss)	(92,194)
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	(218,712)
Futures Contracts	25,357
Swap Contracts	(10,835)
Change in Unrealized Appreciation (Depreciation)	(204,190)
Net Increase (Decrease) in Net Assets Resulting from Operations	44,599

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from affiliated companies of the fund were \$3,092,000, \$0, and (\$1,000), respectively.

Statement of Changes in Net Assets

	Six Months Ended July 31, 2018	Year Ended January 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	340,983	691,432
Realized Net Gain (Loss)	(92,194)	(100,375)
Change in Unrealized Appreciation (Depreciation)	(204,190)	(339,281)
Net Increase (Decrease) in Net Assets Resulting from Operations	44,599	251,776
Distributions		
Net Investment Income		
Investor Shares	(104,452)	(209,136)
Admiral Shares	(235,194)	(476,434)
Realized Capital Gain		
Investor Shares	—	—
Admiral Shares	—	—
Total Distributions	(339,646)	(685,570)
Capital Share Transactions		
Investor Shares	(422,693)	(260,422)
Admiral Shares	(1,001,899)	(823,487)
Net Increase (Decrease) from Capital Share Transactions	(1,424,592)	(1,083,909)
Total Increase (Decrease)	(1,719,639)	(1,517,703)
Net Assets		
Beginning of Period	24,088,747	25,606,450
End of Period ¹	22,369,108	24,088,747

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of (\$1,619,000) and (\$1,601,000).

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.32	\$10.51	\$10.77	\$10.88	\$10.61	\$10.83
Investment Operations						
Net Investment Income	.148 ¹	.284 ¹	.236	.249	.275	.244
Net Realized and Unrealized Gain (Loss) on Investments	(.121)	(.193)	(.183)	(.055)	.278	(.210)
Total from Investment Operations	.027	.091	.053	.194	.553	.034
Distributions						
Dividends from Net Investment Income	(.147)	(.281)	(.237)	(.250)	(.274)	(.244)
Distributions from Realized Capital Gains	—	—	(.076)	(.054)	(.009)	(.010)
Total Distributions	(.147)	(.281)	(.313)	(.304)	(.283)	(.254)
Net Asset Value, End of Period	\$10.20	\$10.32	\$10.51	\$10.77	\$10.88	\$10.61
Total Return²	0.27%	0.85%	0.49%	1.83%	5.29%	0.34%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$7,083	\$7,598	\$7,993	\$8,483	\$9,163	\$9,535
Ratio of Total Expenses to Average Net Assets	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%
Ratio of Net Investment Income to Average Net Assets	2.91%	2.70%	2.19%	2.33%	2.56%	2.31%
Portfolio Turnover Rate ³	414%	620%	926%	706%	685%	167%

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

1 Calculated based on average shares outstanding.

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

3 Includes 196%, 156%, 300%, 219%, 268%, and 149% attributable to mortgage-dollar-roll activity.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.32	\$10.51	\$10.77	\$10.88	\$10.61	\$10.83
Investment Operations						
Net Investment Income	.153 ¹	.294 ¹	.247	.260	.286	.255
Net Realized and Unrealized Gain (Loss) on Investments	(.121)	(.192)	(.183)	(.055)	.278	(.210)
Total from Investment Operations	.032	.102	.064	.205	.564	.045
Distributions						
Dividends from Net Investment Income	(.152)	(.292)	(.248)	(.261)	(.285)	(.255)
Distributions from Realized Capital Gains	—	—	(.076)	(.054)	(.009)	(.010)
Total Distributions	(.152)	(.292)	(.324)	(.315)	(.294)	(.265)
Net Asset Value, End of Period	\$10.20	\$10.32	\$10.51	\$10.77	\$10.88	\$10.61
Total Return²	0.32%	0.95%	0.59%	1.93%	5.39%	0.44%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$15,286	\$16,491	\$17,613	\$17,419	\$17,544	\$17,277
Ratio of Total Expenses to Average Net Assets	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
Ratio of Net Investment Income to Average Net Assets	3.01%	2.80%	2.29%	2.43%	2.66%	2.41%
Portfolio Turnover Rate ³	414%	620%	926%	706%	685%	167%

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

1 Calculated based on average shares outstanding.

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

3 Includes 196%, 156%, 300%, 219%, 268%, and 149% attributable to mortgage-dollar-roll activity.

Notes to Financial Statements

Vanguard GNMA 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. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Admiral Shares are designed for investors who meet certain administrative, service, and account-size criteria.

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. Bonds and 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. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.

2. **Futures Contracts:** The fund uses futures contracts to invest in fixed income asset classes with greater efficiency and lower cost than is possible through direct investment, to add value when these instruments are attractively priced, or to adjust sensitivity to changes in interest rates. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of bonds 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.

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

During the six months ended July 31, 2018, the fund's average investments in long and short futures contracts represented 7% and less than 1% of net assets, respectively, based on the average of aggregate settlement values at each quarter-end during the period.

3. **Swap Contracts:** The fund enters into interest rate swap transactions to adjust the fund's sensitivity to changes in interest rates and maintain the ability to generate income at prevailing market rates. Under the terms of the swaps, one party pays the other an amount that is a fixed percentage rate applied to a notional amount. In return, the counterparty agrees to pay a floating rate, which is reset periodically based on short-term interest rates, applied to the same notional amount.

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

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

The fund enters into centrally cleared interest rate swaps to achieve the same objectives specified with respect to the equivalent over-the-counter swaps but with less counterparty risk because a regulated clearinghouse is the counterparty instead of the clearing broker or executing broker. 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. To further mitigate counterparty risk, the fund trades with a diverse group of prequalified executing brokers; monitors the financial strength of its clearing brokers, executing brokers, and clearinghouse; and has entered into agreements with its clearing brokers and executing brokers.

During the six months ended July 31, 2018, the average amount of investments in interest rate swaps represented 6% of net assets, based on the average of notional amounts at each quarter-end during the period.

4. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The fund may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the fund is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The fund mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The fund may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral

as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. Under an MSFTA, upon a counterparty default (including bankruptcy), the fund may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements. At July 31, 2018, counterparties had deposited in segregated accounts securities and cash with a value of \$1,631,000 in connection with TBA transactions.

5. **Mortgage Dollar Rolls:** The fund enters into mortgage-dollar-roll transactions, in which the fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The fund forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The fund has also entered into mortgage-dollar-roll transactions in which the fund buys mortgage-backed securities from a dealer pursuant to a TBA transaction and simultaneously agrees to sell similar securities in the future at a predetermined price. The securities bought in mortgage-dollar-roll transactions are used to cover an open TBA sell position. The fund continues to earn interest on mortgage-backed security pools already held and receives a lower price on the securities to be sold in the future. The fund accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these transactions may increase the fund's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Assets and Liabilities.

6. **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.

7. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2015–2018), and for the period ended July 31, 2018, and has concluded that no provision for federal income tax is required in the fund's financial statements.

8. **Distributions:** Distributions from net investment income are declared daily and paid on the first business day of the following month. Annual distributions from realized capital gains, if any, are recorded on the ex-dividend date.

9. **Credit Facility:** The fund and certain other funds managed by The Vanguard Group (“Vanguard”) participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund’s regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund’s board of trustees and included in Management and Administrative expenses on the fund’s Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at July 31, 2018, or at any time during the period then ended.

10. **Other:** Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

Each class of shares has equal rights as to assets and earnings, except that each class separately bears certain class-specific expenses related to maintenance of shareholder accounts (included in Management and Administrative expenses), and shareholder reporting, and the proxy. 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 the fund for a fee calculated at an annual percentage rate of average net assets. For the six months ended July 31, 2018, the investment advisory fee represented an effective annual rate of 0.01% of the fund’s average net assets.

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

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At July 31, 2018, the fund had contributed to Vanguard capital in the amount of \$1,197,000, representing 0.01% of the fund’s net assets and 0.48% of Vanguard’s capitalization. The fund’s trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the fund's investments as of July 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
U.S. Government and Agency Obligations	—	21,684,615	59,676
Asset-Backed/Commercial Mortgage-Backed Securities	—	382,749	—
Temporary Cash Investments	331,519	842,016	—
Futures Contracts—Assets ¹	1,523	—	—
Futures Contracts—Liabilities ¹	(135)	—	—
Swap Contracts—Liabilities ¹	(632)	—	—
Total	332,275	22,909,380	59,676

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

E. Capital gain distributions are determined on a tax basis and may differ from realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when gains or losses are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future.

The fund's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at January 31, 2018, the fund had available capital losses totaling \$308,198,000 that may be carried forward indefinitely to offset future net capital gains. The fund will use these capital losses to offset net taxable capital gains, if any, realized during the year ending January 31, 2019; should the fund realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At July 31, 2018, the cost of investment securities for tax purposes was \$23,783,034,000. Net unrealized depreciation of investment securities for tax purposes was \$482,459,000, consisting of unrealized gains of \$116,039,000 on securities that had risen in value since their purchase and \$598,498,000 in unrealized losses on securities that had fallen in value since their purchase.

F. During the six months ended July 31, 2018, the fund purchased \$47,225,153,000 of investment securities and sold \$48,727,686,000 of investment securities, other than temporary cash investments.

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

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	297,880	29,146	1,032,418	98,416
Issued in Lieu of Cash Distributions	92,956	9,088	193,951	18,459
Redeemed	(813,529)	(79,523)	(1,486,791)	(141,482)
Net Increase (Decrease)—Investor Shares	(422,693)	(41,289)	(260,422)	(24,607)
Admiral Shares				
Issued	829,375	81,131	2,267,131	215,668
Issued in Lieu of Cash Distributions	185,459	18,129	372,462	35,450
Redeemed	(2,016,733)	(197,323)	(3,463,080)	(329,749)
Net Increase (Decrease)—Admiral Shares	(1,001,899)	(98,063)	(823,487)	(78,631)

H. Management has determined that no events or transactions occurred subsequent to July 31, 2018, that would require recognition or disclosure in these financial statements.

Long-Term Treasury Fund

Fund Profile

As of July 31, 2018

Share-Class Characteristics

	Investor Shares	Admiral Shares
Ticker Symbol	VUSTX	VUSUX
Expense Ratio ¹	0.20%	0.10%
30-Day SEC Yield	2.86%	2.96%

Financial Attributes

	Bloomberg Barclays U.S. Long Treasury Fund Bond Index	Bloomberg Barclays Aggregate Bond Index	
Number of Bonds	61	49	10,012
Yield to Maturity (before expenses)	3.1%	3.1%	3.4%
Average Coupon	3.2%	3.3%	3.1%
Average Duration	16.8 years	17.0 years	6.0 years
Average Effective Maturity	25.0 years	25.0 years	8.4 years
Short-Term Reserves	0.4%	—	—

Sector Diversification (% of portfolio)

Government Mortgage-Backed	3.0%
Treasury/Agency	97.0

The agency and mortgage-backed securities sectors may include issues from government-sponsored enterprises; such issues are generally not backed by the full faith and credit of the U.S. government.

Volatility Measures

	Bloomberg Barclays U.S. Long Treasury Bond Index	Bloomberg Barclays Aggregate Bond Index
R-Squared	0.99	0.87
Beta	1.02	3.19

These measures show the degree and timing of the fund's fluctuations compared with the indexes over 36 months.

Distribution by Effective Maturity (% of portfolio)

5 - 7 Years	0.5%
7 - 10 Years	3.0
10 - 20 Years	6.5
20 - 30 Years	90.0

Distribution by Credit Quality (% of portfolio)

U.S. Government	99.6%
Not Rated	0.4

Credit-quality ratings are obtained from Moody's and S&P, and the higher rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts. For more information about these ratings, see the Glossary entry for Credit Quality.

Investment Focus

Average Maturity		Short	Med.	Long
Credit Quality	Treasury/Agency			
	Investment-Grade Corporate			
	Below Investment-Grade			

¹ The expense ratios shown are from the prospectus dated May 24, 2018, and represent estimated costs for the current fiscal year. For the six months ended July 31, 2018, the annualized expense ratios were 0.20% for Investor Shares and 0.10% for Admiral Shares.

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.

Fiscal-Year Total Returns (%): January 31, 2008, Through July 31, 2018

Fiscal Year	Investor Shares			Bloomberg Barclays U.S. Long Treasury Bond Index
	Income Returns	Capital Returns	Total Returns	Total Returns
2009	4.57%	4.68%	9.25%	10.38%
2010	3.98	-5.33	-1.35	-2.19
2011	4.03	-0.45	3.58	4.29
2012	4.13	28.40	32.53	32.74
2013	2.73	-2.73	0.00	-0.02
2014	2.97	-7.42	-4.45	-4.49
2015	3.80	24.67	28.47	28.66
2016	2.59	-7.50	-4.91	-4.43
2017	2.44	-5.65	-3.21	-3.14
2018	2.77	1.44	4.21	4.62
2019	1.39	-2.51	-1.12	-1.23

Note: For 2019, performance data reflect the six months ended July 31, 2018.

Average Annual Total Returns: Periods Ended June 30, 2018

This table presents returns through the latest calendar quarter—rather than through the end of the fiscal period. Securities and Exchange Commission rules require that we provide this information.

	Inception Date	One Year	Five Years	Ten Years		
				Income	Capital	Total
Investor Shares	5/19/1986	-0.59%	4.32%	3.30%	2.51%	5.81%
Admiral Shares	2/12/2001	-0.49	4.42	3.42	2.51	5.93

See Financial Highlights for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of July 31, 2018

The fund reports a complete list of its holdings in regulatory filings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
U.S. Government and Agency Obligations (101.2%)				
U.S. Government Securities (96.0%)				
United States Treasury Note/Bond	5.500%	8/15/28	13,000	15,842
United States Treasury Note/Bond	5.250%	11/15/28	23,500	28,222
United States Treasury Note/Bond	5.250%	2/15/29	13,000	15,669
United States Treasury Note/Bond	6.125%	8/15/29	16,500	21,368
United States Treasury Note/Bond	6.250%	5/15/30	9,000	11,911
United States Treasury Note/Bond	4.500%	2/15/36	25,000	30,113
United States Treasury Note/Bond	5.000%	5/15/37	8,500	10,927
United States Treasury Note/Bond	4.375%	2/15/38	11,000	13,195
United States Treasury Note/Bond	4.500%	5/15/38	14,000	17,073
United States Treasury Note/Bond	3.500%	2/15/39	18,000	19,285
United States Treasury Note/Bond	4.250%	5/15/39	30,000	35,592
United States Treasury Note/Bond	4.500%	8/15/39	37,900	46,451
United States Treasury Note/Bond	4.375%	11/15/39	35,500	42,872
United States Treasury Note/Bond	4.625%	2/15/40	62,000	77,403
United States Treasury Note/Bond	4.375%	5/15/40	48,500	58,685
United States Treasury Note/Bond	3.875%	8/15/40	35,000	39,588
United States Treasury Note/Bond	4.250%	11/15/40	45,222	53,913
United States Treasury Note/Bond	4.750%	2/15/41	49,500	63,097
United States Treasury Note/Bond	4.375%	5/15/41	51,000	61,957
United States Treasury Note/Bond	3.750%	8/15/41	53,195	59,188
United States Treasury Note/Bond	3.125%	11/15/41	43,576	43,985
United States Treasury Note/Bond	3.125%	2/15/42	36,000	36,338
United States Treasury Note/Bond	3.000%	5/15/42	33,000	32,608
United States Treasury Note/Bond	2.750%	8/15/42	60,000	56,700
United States Treasury Note/Bond	2.750%	11/15/42	71,400	67,417
United States Treasury Note/Bond	3.125%	2/15/43	80,000	80,638
1 United States Treasury Note/Bond	2.875%	5/15/43	107,911	104,117
United States Treasury Note/Bond	3.625%	8/15/43	93,553	102,426
United States Treasury Note/Bond	3.750%	11/15/43	113,408	126,698
United States Treasury Note/Bond	3.625%	2/15/44	114,000	124,973
United States Treasury Note/Bond	3.375%	5/15/44	109,500	115,249
United States Treasury Note/Bond	3.125%	8/15/44	108,000	108,877
United States Treasury Note/Bond	3.000%	11/15/44	101,229	99,790
United States Treasury Note/Bond	2.500%	2/15/45	98,000	87,694
United States Treasury Note/Bond	3.000%	5/15/45	96,707	95,316
United States Treasury Note/Bond	2.875%	8/15/45	114,170	109,835

Long-Term Treasury Fund

	Coupon	Maturity Date	Face Amount (\$000)	Market Value* (\$000)
United States Treasury Note/Bond	3.000%	11/15/45	101,500	100,009
United States Treasury Note/Bond	2.500%	2/15/46	103,450	92,280
United States Treasury Note/Bond	2.500%	5/15/46	105,723	94,243
United States Treasury Note/Bond	2.250%	8/15/46	95,800	80,861
United States Treasury Note/Bond	2.875%	11/15/46	111,126	106,733
United States Treasury Note/Bond	3.000%	2/15/47	100,250	98,730
United States Treasury Note/Bond	3.000%	5/15/47	110,250	108,510
United States Treasury Note/Bond	2.750%	8/15/47	105,100	98,417
United States Treasury Note/Bond	2.750%	11/15/47	104,750	98,055
United States Treasury Note/Bond	3.000%	2/15/48	112,200	110,447
United States Treasury Note/Bond	3.125%	5/15/48	96,500	97,344
				3,200,641
Agency Bonds and Notes (2.1%)				
² Fannie Mae Interest Strip	0.000%	5/15/29	4,592	3,152
² Fannie Mae Principal Strip	0.000%	5/15/30	25,912	17,193
² Federal Home Loan Mortgage Corp.	0.000%	12/14/29	20,000	13,451
² Freddie Mac Coupon Strips	0.000%	3/15/28	1,771	1,271
² Freddie Mac Coupon Strips	0.000%	9/15/28	1,000	703
² Freddie Mac Coupon Strips	0.000%	1/15/30	15,658	10,464
² Freddie Mac Coupon Strips	0.000%	3/15/30	12,896	8,567
Resolution Funding Corp. Interest Strip	0.000%	4/15/28	21,802	15,778
				70,579
Conventional Mortgage-Backed Securities (2.6%)				
^{2,3,4} Fannie Mae Pool	3.500%	8/1/48	43,000	42,603
^{2,3,4} Fannie Mae Pool	4.000%	8/1/48	20,000	20,313
^{2,3,4} Fannie Mae Pool	4.500%	8/1/48	8,000	8,297
^{2,3,4} Fannie Mae Pool	5.000%	10/1/48	13,000	13,685
^{2,3} Fannie Mae Pool	6.000%	2/1/26–11/1/28	11	12
				84,910
Nonconventional Mortgage-Backed Securities (0.5%)				
^{2,3,5} Fannie Mae REMICS 2016-1	2.414%	2/25/46	5,891	5,934
^{2,3,5} Fannie Mae REMICS 2016-6	2.514%	2/25/46	4,031	4,097
^{2,3,5} Freddie Mac REMICS	2.472%	5/15/46	3,899	3,911
^{2,3,5} Freddie Mac REMICS	2.522%	10/15/46	3,708	3,742
				17,684
Total U.S. Government and Agency Obligations (Cost \$3,384,619)				3,373,814
Shares				
Temporary Cash Investment (0.4%)				
Money Market Fund (0.4%)				
⁶ Vanguard Market Liquidity Fund (Cost \$14,400)	2.145%		144,002	14,400
Total Investments (101.6%) (Cost \$3,399,019)				3,388,214

Long-Term Treasury Fund

	Expiration Date	Contracts	Exercise Price	Notional Amount (\$000)	Market Value* (\$000)
Liability for Options Written (0.0%)					
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	29	USD 119.25	3,458	(11)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	87	USD 119.50	10,397	(33)
Call Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	251	USD 120.00	30,120	(47)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/10/18	29	USD 119.25	3,458	(6)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	222	USD 118.50	26,307	(28)
Put Options on 10-Year U.S. Treasury Note Futures Contract	8/24/18	58	USD 119.00	6,902	(14)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/24/18	29	USD 120.00	3,480	(22)
Put Options on 10-Year U.S. Treasury Note Futures Contracts	8/27/18	29	USD 119.50	3,466	(13)
Total Liability for Options Written (Premiums Received \$357)					(174)
					Amount (\$000)
Other Assets and Other Liabilities (-1.6%)					
Other Assets					
Investment in Vanguard					179
Receivables for Investment Securities Sold					92,909
Receivables for Accrued Income					34,883
Receivables for Capital Shares Issued					11,890
Variation Margin Receivable—Futures Contracts					118
Other Assets					98
Total Other Assets					140,077
Other Liabilities					
Payables for Investment Securities Purchased					(177,040)
Payables for Capital Shares Redeemed					(13,400)
Payables for Distributions					(902)
Payables to Vanguard					(2,569)
Variation Margin Payable—Futures Contracts					(109)
Total Other Liabilities					(194,020)
Net Assets (100%)					3,334,097

Long-Term Treasury Fund

At July 31, 2018, net assets consisted of:

	Amount (\$000)
Paid-in Capital	3,395,063
Undistributed Net Investment Income	45
Accumulated Net Realized Losses	(50,481)
Unrealized Appreciation (Depreciation)	
Investment Securities	(10,805)
Futures Contracts	92
Options ⁷	183
Net Assets	3,334,097

Investor Shares—Net Assets

Applicable to 67,359,130 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	785,104
Net Asset Value Per Share—Investor Shares	\$11.66

Admiral Shares—Net Assets

Applicable to 218,694,551 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	2,548,993
Net Asset Value Per Share—Admiral Shares	\$11.66

• See Note A in Notes to Financial Statements.

1 Securities with a value of \$1,276,000 have been segregated as initial margin for open futures contracts.

2 The issuer was placed under federal conservatorship in September 2008; since that time, its daily operations have been managed by the Federal Housing Finance Agency and it receives capital from the U.S. Treasury, as needed to maintain a positive net worth, in exchange for senior preferred stock.

3 The average or expected maturity is shorter than the final maturity shown because of the possibility of interim principal payments and prepayments or the possibility of the issue being called.

4 Includes securities purchased on a when-issued or delayed-delivery basis for which the fund has not taken delivery as of July 31, 2018.

5 Adjustable-rate security based upon 1-month USD LIBOR plus spread.

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

7 Unrealized appreciation (depreciation) on options on futures contracts is required to be treated as realized gain (loss) for tax purposes.

REMICS—Real Estate Mortgage Investment Conduits.

Long-Term Treasury Fund

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

				(\$000)
	Expiration	Number of Long (Short) Contracts	Notional Amount	Value and Unrealized Appreciation (Depreciation)
Long Futures Contracts				
2-Year U.S. Treasury Note	September 2018	779	164,661	(248)
Ultra Long U.S. Treasury Bond	September 2018	137	21,496	(208)
				<u>(456)</u>
Short Futures Contracts				
Ultra 10-Year U.S. Treasury Note	September 2018	(586)	(74,486)	511
10-Year U.S. Treasury Note	September 2018	(245)	(29,258)	8
5-Year U.S. Treasury Note	September 2018	(118)	(13,349)	(4)
30-Year U.S. Treasury Bond	September 2018	(15)	(2,145)	33
				<u>548</u>
				<u>92</u>

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

Statement of Operations

Six Months Ended
July 31, 2018

	(\$000)
Investment Income	
Income	
Interest ¹	51,135
Total Income	51,135
Expenses	
The Vanguard Group—Note B	
Investment Advisory Services	127
Management and Administrative—Investor Shares	708
Management and Administrative—Admiral Shares	1,048
Marketing and Distribution—Investor Shares	63
Marketing and Distribution—Admiral Shares	85
Custodian Fees	17
Shareholders' Reports —Investor Shares	14
Shareholders' Reports —Admiral Shares	11
Trustees' Fees and Expenses	1
Total Expenses	2,074
Net Investment Income	49,061
Realized Net Gain (Loss)	
Investment Securities Sold ¹	(47,637)
Futures Contracts	(1,216)
Purchased Options	(52)
Written Options	(98)
Realized Net Gain (Loss)	(49,003)
Change in Unrealized Appreciation (Depreciation)	
Investment Securities ¹	(43,158)
Futures Contracts	1,397
Written Options	385
Change in Unrealized Appreciation (Depreciation)	(41,376)
Net Increase (Decrease) in Net Assets Resulting from Operations	(41,318)

¹ Interest income, realized net gain (loss), and change in unrealized appreciation (depreciation) from an affiliated company of the fund were \$160,000, (\$1,000), and \$1,000, respectively. Purchases and sales are for temporary cash investment purposes.

Statement of Changes in Net Assets

	Six Months Ended July 31, 2018	Year Ended January 31, 2018
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	49,061	97,127
Realized Net Gain (Loss)	(49,003)	52,940
Change in Unrealized Appreciation (Depreciation)	(41,376)	(8,932)
Net Increase (Decrease) in Net Assets Resulting from Operations	(41,318)	141,135
Distributions		
Net Investment Income		
Investor Shares	(11,798)	(26,119)
Admiral Shares	(37,260)	(70,970)
Realized Capital Gain		
Investor Shares	—	—
Admiral Shares	—	—
Total Distributions	(49,058)	(97,089)
Capital Share Transactions		
Investor Shares	(74,537)	(129,575)
Admiral Shares	28,605	52,182
Net Increase (Decrease) from Capital Share Transactions	(45,932)	(77,393)
Total Increase (Decrease)	(136,308)	(33,347)
Net Assets		
Beginning of Period	3,470,405	3,503,752
End of Period¹	3,334,097	3,470,405

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of \$45,000 and (\$5,000).

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$11.96	\$11.79	\$12.80	\$14.19	\$11.55	\$12.61
Investment Operations						
Net Investment Income	.166 ¹	.328 ¹	.332	.351	.372	.374
Net Realized and Unrealized Gain (Loss) on Investments	(.300)	.170	(.725)	(1.070)	2.833	(.937)
Total from Investment Operations	(.134)	.498	(.393)	(.719)	3.205	(.563)
Distributions						
Dividends from Net Investment Income	(.166)	(.328)	(.332)	(.351)	(.372)	(.374)
Distributions from Realized Capital Gains	—	—	(.285)	(.320)	(.193)	(.123)
Total Distributions	(.166)	(.328)	(.617)	(.671)	(.565)	(.497)
Net Asset Value, End of Period	\$11.66	\$11.96	\$11.79	\$12.80	\$14.19	\$11.55
Total Return²	-1.12%	4.21%	-3.21%	-4.91%	28.47%	-4.45%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$785	\$882	\$995	\$1,148	\$1,318	\$1,013
Ratio of Total Expenses to Average Net Assets	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Ratio of Net Investment Income to Average Net Assets	2.87%	2.70%	2.53%	2.76%	3.02%	3.14%
Portfolio Turnover Rate ³	103%	103% ⁴	94%	117%	59%	44%

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

1 Calculated based on average shares outstanding.

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

3 Includes 3%, 6%, 3%, 36%, 22%, and 0% attributable to mortgage-dollar-roll activity.

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

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended July 31, 2018	Year Ended January 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$11.96	\$11.79	\$12.80	\$14.19	\$11.55	\$12.61
Investment Operations						
Net Investment Income	.172 ¹	.340 ¹	.345	.363	.384	.386
Net Realized and Unrealized Gain (Loss) on Investments	(.300)	.170	(.725)	(1.070)	2.833	(.937)
Total from Investment Operations	(.128)	.510	(.380)	(.707)	3.217	(.551)
Distributions						
Dividends from Net Investment Income	(.172)	(.340)	(.345)	(.363)	(.384)	(.386)
Distributions from Realized Capital Gains	—	—	(.285)	(.320)	(.193)	(.123)
Total Distributions	(.172)	(.340)	(.630)	(.683)	(.577)	(.509)
Net Asset Value, End of Period	\$11.66	\$11.96	\$11.79	\$12.80	\$14.19	\$11.55
Total Return²	-1.07%	4.32%	-3.12%	-4.81%	28.60%	-4.36%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$2,549	\$2,588	\$2,509	\$2,400	\$2,448	\$1,563
Ratio of Total Expenses to Average Net Assets	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Ratio of Net Investment Income to Average Net Assets	2.97%	2.80%	2.63%	2.86%	3.12%	3.24%
Portfolio Turnover Rate ³	103%	103% ⁴	94%	117%	59%	44%

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

1 Calculated based on average shares outstanding.

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

3 Includes 3%, 6%, 3%, 36%, 22%, and 0% attributable to mortgage-dollar-roll activity.

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

Notes to Financial Statements

Vanguard Long-Term Treasury 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. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Admiral Shares are designed for investors who meet certain administrative, service, and account-size criteria.

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. Bonds and 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. Structured debt securities, including mortgages and asset-backed securities, are valued using the latest bid prices or using valuations based on a matrix system that considers such factors as issuer, tranche, nominal or option-adjusted spreads, weighted average coupon, weighted average maturity, credit enhancements, and collateral. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Securities for which market quotations are not readily available, or whose values have been affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value.

2. **Futures and Options:** The fund uses futures contracts and options on futures contracts to invest in fixed income asset classes with greater efficiency and lower cost than is possible through direct investment, to add value when these instruments are attractively priced, or to adjust sensitivity to changes in interest rates. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of bonds held by the fund and the prices of futures contracts, and the possibility of an illiquid market. The primary risk associated with purchasing options is that interest rates move in such a way that the option is out-of-the-money, the position is worthless at expiration, and the fund loses the premium paid. The primary risk associated with writing options is that interest rates move in such a way that the option is in-the-money, the counterparty exercises the option, and the fund loses an amount equal to the market value of the option written less the premium received. Counterparty risk involving futures and exchange-traded options is mitigated because a regulated clearinghouse is the counterparty instead of the clearing broker. To further mitigate counterparty risk, the fund trades futures and options on an exchange, monitors the financial strength of its clearing brokers and clearinghouse, and has entered into clearing agreements with its clearing brokers. The clearinghouse imposes initial margin requirements to secure the fund's performance and requires daily settlement of variation margin representing changes in the market value of each contract. Any assets pledged as initial margin for open contracts are noted in the Statement of Net Assets.

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

During the six months ended July 31, 2018, the fund's average investments in long and short futures contracts represented 6% and 2% of net assets, respectively, based on the average of the notional amounts at each quarter-end during the period.

Options on futures contracts are also valued at their quoted daily settlement prices. The premium paid for a purchased option is recorded in the Statement of Net Assets as an asset that is subsequently adjusted daily to the current market value of the option purchased. The premium received for a written option is recorded in the Statement of Net Assets as an asset with an equal liability that is subsequently adjusted daily to the current market value of the option written. Fluctuations in the value of the options are recorded in the Statement of Operations as unrealized appreciation (depreciation) until expired, closed, or exercised, at which time realized gains (losses) are recognized.

During the six months ended July 31, 2018, the fund's average value of investments in options purchased and options written each represented less than 1% of net assets, based on the average market values at each quarter-end during the period.

3. To Be Announced (TBA) Transactions: A TBA transaction is an agreement to buy or sell mortgage-backed securities with agreed-upon characteristics (face amount, coupon, maturity) for settlement at a future date. The fund may be a seller of TBA transactions to reduce its exposure to the mortgage-backed securities market or in order to sell mortgage-backed securities it owns under delayed-delivery arrangements. When the fund is a buyer of TBA transactions, it maintains cash or short-term investments in an amount sufficient to meet the purchase price at the settlement date of the TBA transaction. The primary risk associated with TBA transactions is that a counterparty may default on its obligations. The fund mitigates its counterparty risk by, among other things, performing a credit analysis of counterparties, allocating transactions among numerous counterparties, and monitoring its exposure to each counterparty. The fund may also enter into a Master Securities Forward Transaction Agreement (MSFTA) with certain counterparties and require them to transfer collateral as security for their performance. In the absence of a default, the collateral pledged or received by the fund cannot be repledged, resold, or rehypothecated. Under an MSFTA, upon a counterparty default (including bankruptcy), the fund may terminate any TBA transactions with that counterparty, determine the net amount owed by either party in accordance with its master netting arrangements, and sell or retain any collateral held up to the net amount owed to the fund under the master netting arrangements.

4. Mortgage Dollar Rolls: The fund enters into mortgage-dollar-roll transactions, in which the fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. The proceeds of the securities sold in mortgage-dollar-roll transactions are typically invested in high-quality short-term fixed income securities. The fund forgoes principal and interest paid on the securities sold, and is compensated by interest earned on the proceeds of the sale and by a lower price on the securities to be repurchased. The fund accounts for mortgage-dollar-roll transactions as purchases and sales; as such, these transactions may increase the fund's portfolio turnover rate. Amounts to be received or paid in connection with open mortgage dollar rolls are included in Receivables for Investment Securities Sold or Payables for Investment Securities Purchased in the Statement of Net Assets.

5. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken for all open federal income tax years (January 31, 2015–2018), and for the period ended July 31, 2018, and has concluded that no provision for federal income tax is required in the fund's financial statements.

6. **Distributions:** Distributions from net investment income are declared daily and paid on the first business day of the following month. Annual distributions from realized capital gains, if any, are recorded on the ex-dividend date.

7. **Credit Facility:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$3.1 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each fund is individually liable for its borrowings, if any, under the credit facility. Borrowings may be utilized for temporary and emergency purposes, and are subject to the fund's regulatory and contractual borrowing restrictions. The participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under this facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate, federal funds effective rate, or overnight bank funding rate plus an agreed-upon spread.

The fund had no borrowings outstanding at July 31, 2018, or at any time during the period then ended.

8. **Other:** Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, to interest income over the lives of the respective securities. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

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

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

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At July 31, 2018, the fund had contributed to Vanguard capital in the amount of \$179,000, representing 0.01% of the fund's net assets and 0.07% of Vanguard's capitalization. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

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

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

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

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

The following table summarizes the market value of the fund's investments as of July 31, 2018, based on the inputs used to value them:

Investments	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)
U.S. Government and Agency Obligations	—	3,373,814	—
Temporary Cash Investments	14,400	—	—
Liability for Options Written	(174)	—	—
Futures Contracts—Assets ¹	118	—	—
Futures Contracts—Liabilities ¹	(109)	—	—
Total	14,235	3,373,814	—

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

D. Capital gain distributions are determined on a tax basis and may differ from realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when gains or losses are recognized in different periods for financial statement and tax purposes. These differences will reverse at some time in the future.

The fund's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at January 31, 2018, the fund had available capital losses totaling \$2,985,000 that may be carried forward indefinitely to offset future net capital gains. The fund will use these capital losses to offset net taxable capital gains, if any, realized during the year ending January 31, 2019; should the fund realize net capital losses for the year, the losses will be added to the loss carryforward balance above.

At July 31, 2018, the cost of investment securities for tax purposes was \$3,399,019,000. Net unrealized depreciation of investment securities for tax purposes was \$10,805,000, consisting of unrealized gains of \$47,265,000 on securities that had risen in value since their purchase and \$58,070,000 in unrealized losses on securities that had fallen in value since their purchase.

E. During the six months ended July 31, 2018, the fund purchased \$1,767,390,000 of investment securities and sold \$1,732,408,000 of investment securities, other than temporary cash investments.

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

	Six Months Ended July 31, 2018		Year Ended January 31, 2018	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	64,111	5,482	184,444	15,192
Issued in Lieu of Cash Distributions	11,086	945	24,600	2,025
Redeemed	(149,734)	(12,829)	(338,619)	(27,882)
Net Increase (Decrease)—Investor Shares	(74,537)	(6,402)	(129,575)	(10,665)
Admiral Shares				
Issued	356,047	30,459	867,209	71,229
Issued in Lieu of Cash Distributions	32,398	2,762	61,115	5,029
Redeemed	(359,840)	(30,878)	(876,142)	(72,736)
Net Increase (Decrease)—Admiral Shares	28,605	2,343	52,182	3,522

G. Management has determined that no events or transactions occurred subsequent to July 31, 2018, that would require recognition or disclosure in these financial statement

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 July 31, 2018

	Beginning Account Value 1/31/2018	Ending Account Value 7/31/2018	Expenses Paid During Period
Based on Actual Fund Return			
Short-Term Treasury Fund			
Investor Shares	\$1,000.00	\$1,002.65	\$0.99
Admiral Shares	1,000.00	1,003.15	0.50
Short-Term Federal Fund			
Investor Shares	\$1,000.00	\$1,002.47	\$0.99
Admiral Shares	1,000.00	1,002.96	0.50
Intermediate-Term Treasury Fund			
Investor Shares	\$1,000.00	\$998.44	\$0.99
Admiral Shares	1,000.00	998.94	0.50
GNMA Fund			
Investor Shares	\$1,000.00	\$1,002.67	\$1.04
Admiral Shares	1,000.00	1,003.17	0.55
Long-Term Treasury Fund			
Investor Shares	\$1,000.00	\$988.83	\$0.99
Admiral Shares	1,000.00	989.32	0.50

Six Months Ended July 31, 2018

	Beginning Account Value 1/31/2018	Ending Account Value 7/31/2018	Expenses Paid During Period
Based on Hypothetical 5% Yearly Return			
Short-Term Treasury Fund			
Investor Shares	\$1,000.00	\$1,023.80	\$1.00
Admiral Shares	1,000.00	1,024.30	0.50
Short-Term Federal Fund			
Investor Shares	\$1,000.00	\$1,023.80	\$1.00
Admiral Shares	1,000.00	1,024.30	0.50
Intermediate-Term Treasury Fund			
Investor Shares	\$1,000.00	\$1,023.80	\$1.00
Admiral Shares	1,000.00	1,024.30	0.50
GNMA Fund			
Investor Shares	\$1,000.00	\$1,023.75	\$1.05
Admiral Shares	1,000.00	1,024.25	0.55
Long-Term Treasury Fund			
Investor Shares	\$1,000.00	\$1,023.80	\$1.00
Admiral Shares	1,000.00	1,024.30	0.50

The calculations are based on expenses incurred in the most recent six-month period. The funds' annualized six-month expense ratios for that period are: for the Short-Term Treasury Fund, 0.20% for Investor Shares and 0.10% for Admiral Shares; for the Short-Term Federal Fund, 0.20% for Investor Shares and 0.10% for Admiral Shares; for the Intermediate-Term Treasury Fund, 0.20% for Investor Shares and 0.10% for Admiral Shares; for the GNMA Fund, 0.21% for Investor Shares and 0.11% for Admiral Shares; and for the Long-Term Treasury Fund, 0.20% for Investor Shares and 0.10% 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 (181/365).

Trustees Approve Advisory Arrangements

The board of trustees of Vanguard Short-Term Treasury Fund, Vanguard Intermediate-Term Treasury Fund, Vanguard Long-Term Treasury Fund, and Vanguard Short-Term Federal Fund has renewed each fund's investment advisory arrangement with The Vanguard Group, Inc. (Vanguard), through its Fixed Income Group. The board also has renewed the investment advisory arrangement between Vanguard GNMA Fund and Wellington Management Company LLP (Wellington Management). The board determined that renewing each fund's advisory arrangement was in the best interests of the fund and its shareholders.

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

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

In addition, the board received monthly reports, which included a Market and Economic Report, a Fund Dashboard Monthly Summary, and a Fund Performance Report.

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

Nature, extent, and quality of services

The board reviewed the quality of each fund's investment management services over both the short and long term and took into account the organizational depth and stability of each advisor. The board considered the following:

Vanguard. Vanguard has been managing investments for more than four decades and has advised the Short-Term Treasury, Intermediate-Term Treasury, Long-Term Treasury, and Short-Term Federal Funds since their inception. The Fixed Income Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

Wellington Management. Founded in 1928, Wellington Management is among the nation's oldest and most respected institutional investment managers. The portfolio manager is backed by a team of experienced analysts who help inform his strategic perspective and conduct statistical and cash-flow analysis. The team leverages its deep knowledge of the mortgage industry to analyze the relative value of various GNMA bonds and construct a portfolio with lower prepayment and extension risk than the benchmark but with similar interest rate risk. Wellington Management has advised the GNMA Fund since its inception in 1980.

The board concluded that each advisor's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangements.

Investment performance

The board considered the short- and long-term performance of each fund, including any periods of outperformance or underperformance compared with a relevant benchmark index and peer group. The board concluded that the performance was such that the advisory arrangements should continue. Information about each fund's most recent performance can be found on the Performance Summary pages of this report.

Cost

The board concluded that each fund's expense ratio was well below the average expense ratio charged by funds in its peer group and that each fund's advisory fee rate or expenses were also well below the peer-group average. Information about the funds' expenses appears in the About Your Fund's Expenses section of this report as well as in the Financial Statements sections, which also contain information about the advisory expenses.

The board did not consider the profitability of Wellington Management in determining whether to approve the advisory fee for the GNMA Fund, because Wellington Management is independent of Vanguard and the advisory fee is the result of arm's-length negotiations. The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the GNMA Fund shareholders benefit from economies of scale because of breakpoints in the fund's advisory fee schedule with Wellington Management. The breakpoints reduce the effective rate of the fee as the fund's assets increase.

The board also concluded that the Short-Term Treasury, Intermediate-Term Treasury, Long-Term Treasury, and Short-Term Federal Funds' at-cost arrangements with Vanguard ensure that the funds will realize economies of scale as they grow, with the cost to shareholders declining as fund assets increase.

The board will consider whether to renew the advisory arrangements again after a one-year period.

Glossary

30-Day SEC Yield. A fund's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the fund's security holdings in the previous 30 days are used to calculate the fund's hypothetical net income for that period, which is then annualized and divided by the fund's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (for bonds), its actual income (for asset-backed securities), or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the fund's actual experience. As a result, the fund's income distributions may be higher or lower than implied by the SEC yield.

Average Coupon. The average interest rate paid on the fixed income securities held by a fund. It is expressed as a percentage of face value.

Average Duration. An estimate of how much the value of the bonds held by a fund will fluctuate in response to a change in interest rates. To see how the value could change, multiply the average duration by the change in rates. If interest rates rise by 1 percentage point, the value of the bonds in a fund with an average duration of five years would decline by about 5%. If rates decrease by a percentage point, the value would rise by 5%.

Average Effective Maturity. The average length of time until fixed income securities held by a fund reach maturity and are repaid, taking into consideration the possibility that the issuer may call the bond before its maturity date. The figure reflects the proportion of fund assets represented by each security; it also reflects any futures contracts held. In general, the longer the average effective maturity, the more a fund's share price will fluctuate in response to changes in market interest rates.

Beta. A measure of the magnitude of a fund's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a fund with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the fund and the index. Note that a fund's beta should be reviewed in conjunction with its R-squared (see definition). The lower the R-squared, the less correlation there is between the fund and the index, and the less reliable beta is as an indicator of volatility.

Credit Quality. Credit-quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). U.S. Treasury, U.S. Agency, and U.S. Agency mortgage-backed securities appear under "U.S. Government." For the federal and Treasury funds, credit-quality ratings are obtained from Moody's and S&P, and the higher rating for each issue is shown. For the GNMA Fund, credit-quality ratings are obtained from Barclays and are from Moody's, Fitch, and S&P. When ratings from all three agencies are used, the median rating is shown. When ratings from two of the agencies are used, the lower rating for each issue is shown. "Not Rated" is used to classify securities for which a rating is not available. Not rated securities include a fund's investment in Vanguard Market Liquidity Fund or Vanguard Municipal Cash Management Fund, each of which invests in high-quality money market instruments and may serve as a cash management vehicle for the Vanguard funds, trusts, and accounts.

Distribution by Coupon. A breakdown of the securities in a fund according to coupon rate—the interest rate that an issuer promises to pay, expressed as an annual percentage of face value. Securities with unusually high coupon rates may be subject to call risk, the possibility that they will be redeemed (or “called”) early by the issuer.

Expense Ratio. A fund’s total annual operating expenses expressed as a percentage of the fund’s average net assets. The expense ratio includes management and administrative expenses, but does not include the transaction costs of buying and selling portfolio securities.

Inception Date. The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund’s investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

R-Squared. A measure of how much of a fund’s past returns can be explained by the returns from the market in general, as measured by a given index. If a fund’s total returns were precisely synchronized with an index’s returns, its R-squared would be 1.00. If the fund’s returns bore no relationship to the index’s returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the fund and the index.

Short-Term Reserves. The percentage of a fund invested in highly liquid, short-term securities that can be readily converted to cash.

Yield to Maturity. The rate of return an investor would receive if the fixed income securities held by a fund were held to their maturity dates.

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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 on an at-cost basis.

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 208 Vanguard funds.

Information for each trustee and executive officer of the fund appears below. 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 Trustees¹

F. William McNabb III

Born in 1957. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: chairman of the board (January 2010–present) of Vanguard and of each of the investment companies served by Vanguard, trustee (2009–present) of each of the investment companies served by Vanguard, and director (2008–present) of Vanguard. Chief executive officer and president (2008–2017) of Vanguard and each of the investment companies served by Vanguard, managing director (1995–2008) of Vanguard, and director (1997–2018) of Vanguard Marketing Corporation. Director (2018–present) of UnitedHealth Group.

Mortimer J. Buckley

Born in 1969. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer (January 2018–present) of Vanguard; chief executive officer, president, and trustee (January 2018–present) of each of the investment companies served by Vanguard; president and director (2017–present) of Vanguard; and president (February 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) of the Children's Hospital of Philadelphia.

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 Minnett Professor at the Rochester Institute of Technology. Lead 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. Trustee of the National Constitution Center.

¹ Mr. McNabb and Mr. Buckley are considered "interested persons," as defined in the Investment Company Act of 1940, because they are officers of the Vanguard funds.

JoAnn Heffernan Heisen

Born in 1950. Trustee since July 1998. Principal occupation(s) during the past five years and other experience: corporate vice president of Johnson & Johnson (pharmaceuticals/medical devices/consumer products) and member of its executive committee (1997–2008). Chief global diversity officer (retired 2008), vice president and chief information officer (1997–2006), controller (1995–1997), treasurer (1991–1995), and assistant treasurer (1989–1991) of Johnson & Johnson. Director of Skytop Lodge Corporation (hotels) and the Robert Wood Johnson Foundation. Member of the advisory board of the Institute for Women’s Leadership at Rutgers University.

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), Oxfam America, and the Lumina Foundation for Education. Director of the V Foundation for Cancer Research. Member of the advisory council for the College of Arts and Letters and chair of the advisory board to the Kellogg Institute for International Studies, both at the University of Notre Dame.

Mark Loughridge

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

Scott C. Malpass

Born in 1962. Trustee since March 2012. Principal occupation(s) during the past five years and other experience: chief investment officer (1989–present) and vice president (1996–present) of the University of Notre Dame. Assistant professor of finance at the Mendoza College of Business, University of Notre Dame, and member of the Notre Dame 403(b) Investment Committee. Chairman of the board of TIFF Advisory Services, Inc. Member of the board of Catholic Investment Services, Inc. (investment advisors), the board of advisors for Spruceview Capital Partners, 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: president (2010–present) and chief executive officer (2011–present) 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 Guardian Life Insurance Company of America, the American Council of Life Insurers, the Partnership for New York City (business leadership), and the Committee Encouraging Corporate Philanthropy. Trustee of the Economic Club of New York 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 LLC (private investment firm). Overseer of the Museum of Fine Arts Boston.

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 of i(x) Investments, LLC.

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

Glenn Booraem

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

Christine M. Buchanan

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

Brian Dvorak

Born in 1973. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief compliance officer (2017–present) of Vanguard and each of the investment companies served by Vanguard. Assistant vice president (2017–present) of Vanguard Marketing Corporation. Vice president and director of Enterprise Risk Management (2011–2013) at Oppenheimer Funds, Inc.

Thomas J. Higgins

Born in 1957. Principal occupation(s) during the past five years and other experience: principal of Vanguard. Chief financial officer (2008–present) 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. Director and senior vice president (2016–2018) of Vanguard Marketing Corporation. 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.

Vanguard Senior Management Team

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Gregory Davis	Thomas M. Rampulla
John James	Karin A. Risi
Martha G. King	Anne E. Robinson
John T. Marcante	Michael Rollings
Chris D. McIsaac	

Chairman Emeritus and Senior Advisor

John J. Brennan

Chairman, 1996–2009
Chief Executive Officer and President, 1996–2008

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John C. Bogle

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