



# Vanguard® Industrials Index Fund

## Product Summary

Seeks to track the performance of the MSCI US Investable Market Industrials 25/50 Index.

Multicapitalization equity in the industrials sector.

Passively managed, uses full-replication strategy when possible.

If regulatory constraints prevent full replication, uses sampling strategy to approximate the index's key characteristics.

Fund remains fully invested.

Low expenses minimize net tracking error.

## Quarterly Commentary

Some of the concerns that had been weighing on market sentiment carried into the fourth quarter of 2021. Year-on-year inflation readings accelerated to levels well above central bank targets in a number of developed markets amid rising energy prices and ongoing supply shortages, and the Omicron variant pushed COVID cases up even as vaccination rates climbed. Although volatility occasionally picked up, market fundamentals remained positive, with the global economy continuing to expand, labor markets recovering, and interest rates hovering at historically low levels across much of the globe.

Stocks as a whole weakened in November but finished the quarter up more than 6%, as measured by the FTSE Global All Cap Index. The U.S. and, to a lesser extent, Europe outperformed, while the Asia-Pacific region and emerging markets lagged.

Yields of longer-dated U.S. Treasuries declined, while yields of shorter-term Treasuries rose as the Federal Reserve tapered its asset purchases and signaled it could soon begin to raise short-term interest rates. The broad U.S. investment-grade bond market returned 0.05% (as measured by the Bloomberg U.S. Aggregate Float Adjusted Index).

The MSCI US Investable Market Industrials 25/50 Index returned 8.36% for the three-month period ended December 31. The MSCI US Investable Market 2500 Index, which measures the U.S. stock market, returned 9.33%.

Union Pacific (+29.2%), United Parcel Service (+18.3%), and CSX (+26.8%) were the top contributors.

Boeing (-8.5%), General Electric (-8.2%), and Southwest Airlines (-16.7%) were the biggest detractors.

For the 12-month period ended December 31, 2021, the MSCI US Investable Market Industrials 25/50 Index returned 20.83%. United Parcel Service (+30.0%), Union Pacific (+23.3%), and Deere (+28.9%) were the top contributors. The biggest detractors were Uber Technologies (-17.8%), CoStar Group (-14.5%), and Plug Power (-25.2%).

## People and Process

Vanguard Industrials Index Fund seeks to track the investment performance of the MSCI US Investable Market Industrials 25/50 Index, a benchmark of large-, mid-, and small-cap U.S. stocks in the industrials sector, as classified under the Global Industry Classification Standard (GICS). This GICS sector is made up of companies whose businesses are dominated by one of the following activities: the manufacture and distribution of capital goods (including aerospace and defense, construction, engineering and building products, electrical equipment, and industrial machinery); the provision of commercial services and supplies (including printing, employment, environmental, and office services); or the provision of transportation services (including airlines, couriers, marine, road and rail, and transportation infrastructure). Whenever possible, the fund attempts to fully replicate the target index, holding each stock in approximately the same proportion as its weighting in the index. However, the fund will use a sampling strategy if regulatory constraints or other considerations prevent it from replicating the index. Vanguard's Equity Index Group uses proprietary software to implement trading decisions that accommodate cash flows and maintain close correlation with index characteristics. Vanguard's refined indexing process, combined with low management fees and efficient trading, has provided tight tracking net of expenses.

## Vanguard Equity Index Group

Launched in 1975, The Vanguard Group, Malvern, Pennsylvania, is among the world's largest equity and fixed income managers. As chief investment officer, Gregory Davis, CFA, oversees Vanguard's Equity Index, Quantitative Equity, and Fixed Income Groups. Rodney Comegys, Principal and global head of Vanguard's Equity Index Group, is responsible for all equity index funds. The Equity Index Group manages indexed equity portfolios covering U.S. and international markets. It has developed sophisticated portfolio construction methodologies and efficient trading strategies that seek to deliver returns that are highly correlated with target portfolio benchmarks. The group has advised Vanguard Industrials Index Fund since 2004.

## Investment Manager Biographies

Walter Nejman. Portfolio manager. Advised the fund since 2015. Worked in investment management since 2008. B.A., Arcadia University. M.B.A., Villanova University.

Michelle Louie, CFA. Portfolio manager. Advised the fund since 2017. Worked in investment management since 2011. B.S., The American University. M.B.A., Georgia Institute of Technology.

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**Total Returns**

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
<b>Industrials Index Fund</b>							
Admiral Shares (5/8/2006)	0.10%	8.34%	20.72%	20.72%	20.85%	13.04%	14.47%
<b>Spliced U.S. Investable Market Industrials 25/50 Index</b>							
	—	8.36	20.83	20.83	20.96	13.14	14.57

**The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [vanguard.com/performance](http://vanguard.com/performance). The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.** Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Note: Spliced U.S. Investable Market Industrials 25/50 Index: MSCI US Investable Market Industrials; Index through February 26, 2010; MSCI US Investable Market Industrials 25/50 Index thereafter. Admiral class shareholders are required to maintain specific minimum balances and meet other special criteria.

## Quarterly Returns

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		
					Industrials Index	Spliced US IMI Indust. 25/50 Index	Assets (Millions)
2021	11.49%	4.19%	-4.07%	8.34%	20.72%	20.83%	\$388
2020	-27.87	18.18	11.85	17.80	12.32	12.43	269
2019	16.76	4.59	0.72	5.82	30.16	30.28	222
2018	-1.85	-2.00	9.20	-18.06	-13.93	-13.85	171
2017	4.35	4.13	5.04	6.46	21.51	21.60	214
2016	4.74	1.49	4.80	8.04	20.36	20.43	128
2015	0.46	-2.47	-7.95	6.91	-3.58	-3.55	66
2014	0.58	3.66	-2.74	7.05	8.55	8.67	77
2013	12.11	2.15	9.55	13.13	41.92	42.13	30
2012	12.01	-4.23	3.74	5.25	17.13	17.17	14
2011	8.75	-1.38	-22.15	17.12	-2.21	-2.02	14

## Fund Facts

Fund Number	5482
Ticker	VINAX
Newspaper Listing	IndustAd
CUSIP Number	92204A819
Assets (millions)	\$388
Inception	5/8/2006
Expense Ratio (as of 12/2021)	0.10%

## Equity Characteristics

	Industrials Index	MSCI US IMI Indust. 25/50
Number of stocks	353	353
Median market cap	\$45.9 Billion	\$45.9 Billion
Average market cap	\$61.1 Billion	\$61.0 Billion
Price/earnings ratio	25.4x	25.4x
Price/book ratio	4.5x	4.5x
Return on equity	19.4%	19.4%
Earnings growth rate	10.2%	10.2%
Equity yield (dividend)	1.2%	1.2%
Foreign holdings	0.8%	0.0%
Short-term reserves	0.0%	—
Turnover rate (fiscal year end)	5.2%	—

## Volatility Measures

	R-Squared	Beta
Spliced US IMI Industrials 25/50	1.00	1.00
MSCI US Investable Market 2500 Idx	0.88	1.15

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.

## Top 10 Largest Holdings

	% of Total Net Assets
Union Pacific Corp.	3.9%
United Parcel Service Inc.	3.7
Honeywell International Inc.	3.4
Raytheon Technologies Corp.	3.0
Caterpillar Inc.	2.7
Boeing Co.	2.6
General Electric Co.	2.4
3M Co.	2.4
Deere & Co.	2.4
Lockheed Martin Corp.	2.1
<b>Total</b>	<b>28.6%</b>

The holdings listed exclude any temporary cash investments and equity index products.

## Sector Diversification (% of Stocks)

	Industrials Index	MSCI US IMI Indus. 25/50	Overweight/ Underweight
Aerospace & Defense	14.5%	14.6%	-0.1
Agricultural & Farm Machinery	2.9	2.8	0.1
Air Freight & Logistics	6.5	6.5	0.0
Airlines	2.3	2.3	0.0
Building Products	7.7	7.7	0.0
Commercial Printing	0.1	0.1	0.0
Construction & Engineering	1.9	1.9	0.0
Construction Machinery & Heavy Trucks	5.3	5.3	0.0
Diversified Support Services	2.2	2.2	0.0
Electrical Components & Equipment	7.6	7.6	0.0
Environmental & Facilities Services	4.2	4.1	0.1
Heavy Electrical Equipment	0.1	0.1	0.0
Human Resource & Employment Services	1.1	1.1	0.0
Industrial Conglomerates	9.4	9.4	0.0
Industrial Machinery	11.7	11.6	0.1
Marine	0.2	0.2	0.0
Office Services & Supplies	0.3	0.3	0.0
Railroads	7.6	7.6	0.0
Research & Consulting Services	6.4	6.4	0.0
Security & Alarm Services	0.1	0.1	0.0
Trading Companies & Distributors	3.7	3.7	0.0
Trucking	4.2	4.2	0.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

Sector categories are based on the Global Industry Classification Standard ("GICS"), except for the "Other" category (if applicable), which includes securities that have not been provided a GICS classification as of the effective reporting period.



## Important information

*For more information about Vanguard funds or Vanguard ETFs, visit [vanguard.com](http://vanguard.com) or call 800-523-1036 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.*

*Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.*

All investing is subject to risk, including the possible loss of the money you invest.

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk.

The Factor Funds are subject to investment style risk, which is the chance that returns from the types of stocks in which a Factor Fund invests will trail returns from U.S. stock markets. The Factor Funds are also subject to manager risk, which is the chance that poor security selection will cause a Factor Fund to underperform its relevant benchmark or other funds with a similar investment objective, and sector risk, which is the chance that significant problems will affect a particular sector in which a Factor Fund invests, or that returns from that sector will trail returns from the overall stock market.

Vanguard Commodity Strategy Fund could lose all, or substantially all, of its investments in instruments linked to the returns of commodity futures or other commodity investments. Commodity futures trading is volatile, and even a small movement in market prices could cause large losses.

Investments in derivatives may involve risks different from, and possibly greater than, those of investments in the underlying securities or assets.

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