

Annual Report | January 31, 2022

Vanguard Health Care Fund

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

Your Fund’s Performance at a Glance

- For the 12 months ended January 31, 2022, Vanguard Health Care Fund returned 4.48% for Investor Shares and 4.53% for Admiral Shares. These results trailed the 7.46% return of the fund’s benchmark, the MSCI All Country World Health Care Index.
- The U.S. and global economies continued to heal over the 12 months. Vaccination rates rose, the economy reopened, and more workers returned to the labor force. The investment environment grew a little more challenging, however, as COVID-19 variants emerged, inflation surged to levels not seen in decades, and the monetary stance of the Federal Reserve turned less accommodative. U.S. stocks nevertheless finished the period significantly higher.
- Globally, many central banks adopted less accommodative monetary stances. Stocks as a whole finished the period up significantly, with the United States and Europe outpacing Asia-Pacific and emerging markets.
- Biotechnology and pharmaceutical stocks hindered the fund’s performance the most. Selection in managed health care and health care contributed most.
- For the 10 years ended January 31, 2022, the fund returned an annualized average of 14.15% for Investor Shares and 14.21% for Admiral Shares. Its benchmark recorded an average annual return of 13.07%.

Market Barometer

	Average Annual Total Returns Periods Ended January 31, 2022		
	One Year	Three Years	Five Years
Stocks			
Russell 1000 Index (Large-caps)	20.32%	20.51%	16.59%
Russell 2000 Index (Small-caps)	-1.21	11.99	9.69
Russell 3000 Index (Broad U.S. market)	18.80	19.93	16.11
FTSE All-World ex US Index (International)	4.20	9.61	8.35
Bonds			
Bloomberg U.S. Aggregate Bond Index (Broad taxable market)	-2.97%	3.67%	3.08%
Bloomberg Municipal Bond Index (Broad tax-exempt market)	-1.89	3.50	3.46
FTSE Three-Month U.S. Treasury Bill Index	0.04	0.89	1.10
CPI			
Consumer Price Index	7.48%	3.76%	2.97%

Advisor's Report

For the 12 months ended January 31, 2022, Vanguard Health Care Fund returned 4.48% for Investor Shares and 4.53% for Admiral Shares. The fund underperformed the 7.46% return of its benchmark, the MSCI All Country World Health Care Index.

The investment environment

We view the health care sector through a custom lens of subsectors. We combine biotechnology and pharmaceuticals and think of them in terms of capitalization: biopharma small-cap, biopharma mid-cap, and biopharma large-cap. The other subsectors are health care services and medical technology.

Health care services was the top-performing subsector in the benchmark for the 12 months, followed by the biopharma large-cap subsector. Biopharma mid-caps and medical technology lagged the broader health care sector. Small-cap biopharmaceuticals are not meaningfully represented in the benchmark.

Our successes

Stock selection was strongest in the health care services subsector. From an allocation perspective, our underweight to the underperforming medical technology space contributed to relative performance, as did our overweight to health care services.

Pfizer, a biopharma large-cap company, was the top relative performer. Performance was driven by positive COVID-19 vaccine and drug

developments, as well as strength in its base business and pipeline. Pfizer has been the dominant provider of COVID-19 vaccines and has developed and recently launched an oral drug to fight the virus. We do not put long-term value on these revenues, which will likely last only a few years, but we do put value on Pfizer's ability to use the immense cash-flow generation to augment its product portfolio. Pfizer's culture, its ability to attract talent, and the way it innovates may also derive long-lasting benefits from its unique COVID-19 experiences.

Another top contributor to relative performance was managed care company Anthem. Shares rose as the company executed well amid a favorable market environment for the managed care industry. Specifically, the company's Medicare/Medicaid business benefited from strong enrollment growth, while its pharmacy benefits manager business, IngenioRx, generated strong earnings growth driven by lower medical costs and higher investment income. As a result of these trends, management raised full-year guidance.

HCA Healthcare, one of the largest providers of hospital and health care services in the United States, also was among the top relative contributors. Shares rose as hospitals' elective procedure volumes began to rebound when COVID-19-related restrictions loosened. This signified a recovery in the demand for health care services. The recovery in procedures was noticeable, but the more important factor was the

company's continued strong demonstration of operating excellence and share gains in its core markets.

Our shortfalls

Stock selection detracted from the fund's performance, particularly within the biopharma large-cap subsector. From an allocation perspective, our overweight to the biopharma mid-cap space detracted.

Biopharma mid-cap company Eisai and biopharma large-cap company Biogen were among the largest detractors. Both rose sharply in the middle of the year after the U.S. Food and Drug Administration granted accelerated approval to their Alzheimer's disease drug, Aduhelm. However, the approval resulted in significant controversy, which subsequently contributed to delayed approvals in Europe and Japan, as well as reimbursement difficulties. Although the drug's commercial success is currently limited, we believe the approval is a milestone for the treatment of Alzheimer's disease, and additional data from anti-Abeta antibodies will help the potential to be realized in the medium term.

Not owning biopharma large-cap company AbbVie was another top detractor. The company's recent launches have done well in the marketplace, allaying some concerns about the upcoming biosimilar competition for its largest franchise, Humira, which we still feel will be daunting.

Our additions and eliminations

We initiated a position in Insulet, a medical technology company that specializes in insulin pumps for treating diabetes. Insulet's technology offers several attractive features, including its patch profile and continuous glucose monitoring integration capabilities, which we believe will provide competitive advantages to the company over the next few years.

We also initiated a position in Agilon health, a health care services company. The company partners with primary-care physician groups to provide capitated care for Medicare Advantage patients, with a focus on keeping costs low while maintaining quality care. Agilon is enabling the transition from fee-for-service health care in the United States to a model that emphasizes value-based care. This change is an important shift in how health care is managed, and we believe Agilon health is well-positioned to help curb costs and implement change over time.

We eliminated our position in Abbott Laboratories, a diversified medical technology company, after shares reached our target price. The stock performed well over the last several years, with strong fundamentals driven by consistent organic revenue growth and stable operating margins. We also eliminated Cerner, a provider of health care IT, devices, hardware, and content solutions to health care organizations and consumers. In December, the company announced its intent to be acquired by Oracle in an all-cash deal for \$28.3 billion, at a 20%

premium to the unaffected closing price of Cerner's common stock prior to the announcement.

The fund's characteristics

At the end of the fiscal year, we held about 27% of the fund's assets in non-U.S. investments, a level that has remained fairly stable over recent years. Our non-U.S. holdings were primarily companies that are domiciled in Japan, the United Kingdom, Switzerland, Belgium, and Denmark—many of which operate globally. We believe this strategy provides diversification for shareholders over the long term.

The fund held 108 companies across all subsectors of health care at the end of the period, a slight increase from the 95 equity names we held a year ago. This increase reflects the addition of biopharma mid-cap and medical technology stocks into the portfolio. The fund's 10 largest holdings represented a significant 43% of total assets.

The fund's positioning and outlook

COVID-19 disruptions will likely continue for many months, yet we are encouraged by strong fundamentals across the health care industry, supported by the likely transition to the endemic phase. This should lead to a more normalized operating environment and investment backdrop. Within the biopharma industry, valuations of large-cap biopharma companies in aggregate undervalue the significant change in the innovation cycle of the industry, which has been building for many years and should lead to more

steady revenue growth over the next decade. Drug-pricing discussions in the U.S., the most profitable market, continue to be an overhang, but may see some relief if President Joe Biden's "Build Back Better" legislation is enacted.

Either way, the level of groundbreaking innovation and improved R&D productivity should become a larger part of the investment story in the years to come. Within small- and mid-cap biopharma, the significant pullback that started in February 2021 and continued through the year has left valuations more compelling than a year ago, especially in the context of larger companies flush with cash for a "tuck-in" acquisition, in which the organization being acquired is absorbed into the acquiring company.

Innovation is occurring in other parts of health care as well, with many strong product introductions in medical devices; a resurgence in diagnostics, including a new category in early cancer screening; a thriving life sciences industry providing products and services that enable the advancement of biology; and new health delivery models that help lower cost trends. Significant company creation is occurring in these areas of health care.

These tailwinds across the various subsectors, coupled with strong valuation support, leave us with a positive outlook for the health care sector in 2022.

Over the long term, the tailwinds of innovation, an aging population, and the globalization of demand should continue to drive growth. We seek companies that

are favorably positioned to provide solutions to the challenges facing human health and health care delivery. A core tenet of our philosophy is the importance of using a longer-term horizon to evaluate secular themes and health care trends, as well as individual companies, on a global scale. This should enable our team to identify pockets of opportunity that are best-positioned to create value and generate sustainable, innovation-driven, differentiated growth. We will remain diversified across subsectors and regions, focused on the long haul, and positioned in what we believe to be the most attractive stocks as we seek to generate strong, risk-adjusted returns.

Jean M. Hynes, CFA
Senior Managing Director and
Portfolio Manager

Wellington Management Company LLP

February 16, 2022

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 January 31, 2022

	Beginning Account Value 7/31/2021	Ending Account Value 1/31/2022	Expenses Paid During Period
Based on Actual Fund Return			
Health Care Fund			
Investor Shares	\$1,000.00	\$952.70	\$1.43
Admiral™ Shares	1,000.00	952.90	1.18
Based on Hypothetical 5% Yearly Return			
Health Care Fund			
Investor Shares	\$1,000.00	\$1,023.74	\$1.48
Admiral Shares	1,000.00	1,024.00	1.22

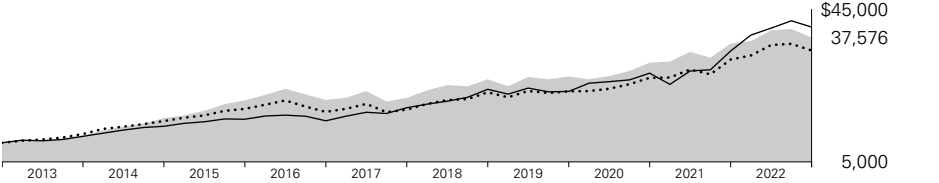
The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.29% for Investor Shares and 0.24% for Admiral Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied 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 (184/365).

Health Care Fund

Performance Summary

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

Cumulative Performance: January 31, 2012, Through January 31, 2022
Initial Investment of \$10,000



	Average Annual Total Returns Periods Ended January 31, 2022			Final Value of a \$10,000 Investment
	One Year	Five Years	Ten Years	
Health Care Fund Investor Shares	4.48%	11.53%	14.15%	\$37,576
MSCI All Country World Health Care Index	7.46	12.84	13.07	34,159
Dow Jones U.S. Total Stock Market Float Adjusted Index	18.50	16.02	14.96	40,306

	One Year	Five Years	Ten Years	Final Value of a \$50,000 Investment
Health Care Fund Admiral Shares	4.53%	11.58%	14.21%	\$188,793
MSCI All Country World Health Care Index	7.46	12.84	13.07	170,795
Dow Jones U.S. Total Stock Market Float Adjusted Index	18.50	16.02	14.96	201,531

See Financial Highlights for dividend and capital gains information.

Fund Allocation

As of January 31, 2022

United States	73.0%
Japan	8.4
United Kingdom	6.3
Switzerland	4.6
Belgium	3.2
Denmark	1.9
China	1.5
Other	1.1

The table reflects the fund's investments, except for short-term investments.

Financial Statements

Schedule of Investments

As of January 31, 2022

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

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (98.1%)			Italy (0.2%)		
Belgium (3.1%)			DiaSorin SpA		
¹ UCB SA	10,238,136	1,018,749		552,359	85,153
* Argenx SE	1,377,888	368,712	Japan (8.2%)		
* Galapagos NV	1,175,458	79,208	Astellas Pharma Inc.	59,120,200	954,234
		1,466,669	¹ Eisai Co. Ltd.	17,856,177	894,327
Brazil (0.0%)			Daiichi Sankyo Co. Ltd.	33,303,190	748,323
Notre Dame Intermedica Participacoes SA	1,699,100	22,782	Ono Pharmaceutical Co. Ltd.	19,628,460	476,024
China (1.5%)			Chugai Pharmaceutical Co. Ltd.	11,038,000	358,512
* ² WuXi Biologics Cayman Inc.	18,337,200	183,789	Terumo Corp.	8,498,900	310,243
² WuXi AppTec Co. Ltd. Class H	9,838,416	141,115	Nippon Shinyaku Co. Ltd.	1,977,800	129,290
* BeiGene Ltd. ADR	424,716	103,028	Asahi Intecc Co. Ltd.	2,023,500	34,523
Yifeng Pharmacy Chain Co. Ltd. Class A	6,945,794	54,421			3,905,476
* Zai Lab Ltd. ADR	1,085,794	53,931	Netherlands (0.7%)		
* Zai Lab Ltd.	1,048,200	49,512	Koninklijke Philips NV	10,091,245	335,668
* Hutchmed China Ltd. ADR	1,231,096	33,535	Spain (0.1%)		
Shandong Weigao Group Medical Polymer Co. Ltd. Class H	24,872,000	30,652	Almirall SA	3,095,158	39,838
Shenzhen Mindray Bio-Medical Electronics Co. Ltd. Class A (XSHE)	452,517	23,092	Switzerland (4.5%)		
* ² Remegen Co. Ltd. Class H	1,964,500	12,970	Novartis AG (Registered)	21,001,073	1,824,774
* ² Akeso Inc.	4,541,000	12,335	Alcon Inc.	2,412,628	186,034
* HUTCHMED China Ltd.	1,480,723	7,773	Lonza Group AG (Registered)	135,804	93,629
* ² Everest Medicines Ltd.	2,139,500	7,126	Tecan Group AG (Registered)	70,000	34,035
		713,279			2,138,472
Denmark (1.9%)			United Kingdom (6.2%)		
* Genmab A/S	1,953,376	665,183	AstraZeneca plc	22,354,231	2,600,423
* Ascendis Pharma A/S ADR	942,809	114,683	Hikma Pharmaceuticals plc	6,910,934	194,150
* Genmab A/S ADR	3,150,246	107,360	* Abcam plc ADR	5,880,982	105,328
		887,226	* Abcam plc	1,281,015	23,074
Germany (0.1%)					2,922,975
* MorphoSys AG	943,340	30,209	United States (71.6%)		
			UnitedHealth Group Inc.	6,837,450	3,231,174
			Pfizer Inc.	56,494,752	2,976,708
			Eli Lilly & Co.	10,213,125	2,506,199
			Bristol-Myers Squibb Co.	29,304,461	1,901,566
			Anthem Inc.	3,626,240	1,599,136
			* Boston Scientific Corp.	34,378,611	1,474,842
			Stryker Corp.	5,108,172	1,267,082

Health Care Fund

	Shares	Market Value• (\$000)		Shares	Market Value• (\$000)
Thermo Fisher Scientific Inc.	2,024,414	1,176,792	Encompass Health Corp.	1,118,557	69,395
* Biogen Inc.	5,192,274	1,173,454	* Karuna Therapeutics Inc.	514,899	57,185
* Vertex Pharmaceuticals Inc.	4,744,358	1,153,116	*.3 Oak Street Health Inc.	2,978,154	51,760
* Regeneron Pharmaceuticals Inc.	1,854,926	1,128,889	* Glaukos Corp.	934,746	49,766
Danaher Corp.	3,522,419	1,006,672	* PTC Therapeutics Inc.	1,235,744	49,702
* Edwards Lifesciences Corp.	9,131,833	997,196	*.1 Bluebird Bio Inc.	6,140,000	48,445
Humana Inc.	2,135,390	838,141	* Turning Point Therapeutics Inc.	1,296,184	48,257
Baxter International Inc.	9,768,562	834,626	* Kodiak Sciences Inc.	803,001	47,136
Viartis Inc.	55,233,099	826,839	* Masimo Corp.	198,716	43,692
* Alnylam Pharmaceuticals Inc.	5,187,603	713,814	*.1 2seventy bio Inc.	2,046,666	38,211
* Centene Corp.	8,912,620	693,045	* TG Therapeutics Inc.	3,066,304	35,477
HCA Healthcare Inc.	2,837,866	681,230	* Reata Pharmaceuticals Inc. Class A	1,237,211	34,790
* Incyte Corp.	9,000,425	669,002	* NanoString Technologies Inc.	964,373	33,483
* Seagen Inc.	4,090,101	550,159	* Horizon Therapeutics plc	339,230	31,660
Agilent Technologies Inc.	3,217,044	448,199	* Amicus Therapeutics Inc.	3,307,491	31,123
* Insulet Corp.	1,657,184	410,982	* Sage Therapeutics Inc.	772,758	30,462
Teleflex Inc.	1,217,493	377,654	* Relay Therapeutics Inc.	950,758	21,040
* Laboratory Corp. of America Holdings	1,387,554	376,527	* REVOLUTION Medicines Inc.	952,971	20,508
* IQVIA Holdings Inc.	1,450,076	355,124	* Rocket Pharmaceuticals Inc.	1,199,337	19,957
* Illumina Inc.	946,867	330,286	* ALX Oncology Holdings Inc.	1,056,514	16,904
*.1 Alkermes plc	11,807,185	301,083	*.3 Oscar Health Inc. Class A	2,116,136	14,178
Universal Health Services Inc. Class B	2,313,176	300,852	* Nevro Corp.	181,959	11,955
* Waters Corp.	811,122	259,656			33,968,880
* Elanco Animal Health Inc. (XNYS)	8,000,000	208,320	Total Common Stocks (Cost \$29,109,209)		46,516,627
* Molina Healthcare Inc.	657,961	191,125	Temporary Cash Investments (1.7%)		
* Syneos Health Inc.	1,911,256	173,083	Money Market Fund (0.0%)		
* Sarepta Therapeutics Inc.	2,273,611	162,722	^{4,5} Vanguard Market Liquidity Fund		
*.1 Agios Pharmaceuticals Inc.	5,148,413	159,034	0.120%	47,113	4,711
*.3 agilon health Inc.	9,062,459	150,256			
* Acadia Healthcare Co. Inc.	2,526,020	132,995			
* Mirati Therapeutics Inc.	1,090,719	130,123			
* Align Technology Inc.	261,524	129,444			
*.1 Nektar Therapeutics Class A	11,383,721	126,587			
Royalty Pharma plc Class A	3,053,455	122,169			
*.1 Ironwood Pharmaceuticals Inc. Class A	10,902,066	121,558			
* Apellis Pharmaceuticals Inc.	2,870,379	115,590			
Zoetis Inc.	571,603	114,201			
* Exact Sciences Corp.	1,452,458	110,910			
* Intra-Cellular Therapies Inc.	2,295,196	108,999			
* Legend Biotech Corp. ADR	2,408,691	102,707			
* Blueprint Medicines Corp.	1,306,248	100,712			
* Quidel Corp.	706,112	72,984			
* NeoGenomics Inc.	3,115,807	70,230			

Health Care Fund

	Face Amount (\$000)	Market Value• (\$000)		Face Amount (\$000)	Market Value• (\$000)
Repurchase Agreements (1.7%)					
Bank of America Securities LLC, 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$79,900,000, collateralized by Ginnie Mae 2.500%, 1/20/52, with a value of \$81,498,000)	79,900	79,900	Credit Agricole Securities (USA) Inc., 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$43,200,000, collateralized by U.S. Treasury Inflation Indexed Note/Bond 0.125%–2/15/51, with a value of \$44,064,000)	43,200	43,200
Bank of Nova Scotia, 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$277,100,000, collateralized by U.S. Treasury Bill 0.000%, 11/3/22, and U.S. Treasury Note/Bond 0.125%–2.875%, 2/28/22–11/15/51, with a value of \$282,642,000)	277,100	277,100	HSBC Bank USA, 0.045%, 2/1/22 (Dated 1/31/22, Repurchase Value \$55,100,000, collateralized by U.S. Treasury Inflation Indexed Note/Bond 0.750%, 2/15/42, and U.S. Treasury Note/Bond 0.375%–2.250%, 9/15/24–6/30/27, with a value of \$56,202,000)	55,100	55,100
Barclays Capital Inc., 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$39,700,000, collateralized by U.S. Treasury Note/Bond 3.000%, 5/15/47, with a value of \$40,494,000)	39,700	39,700	HSBC Bank USA, 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$10,300,000, collateralized by Fannie Mae 2.000%– 5.500%, 12/1/29–1/1/52, with a value of \$10,506,000)	10,300	10,300
BNP Paribas Securities Corp., 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$174,600,000, collateralized by Fannie Mae 2.500%– 4.500%, 9/1/26–5/1/51, Freddie Mac 2.000%–4.000%, 1/1/49–3/1/51, Ginnie Mae 1.897%–3.500%, 11/20/34–7/20/51, and U.S. Treasury Note/Bond 0.125%–7.250%, 8/15/22–8/15/49, with a value of \$178,092,000)	174,600	174,600	Naxtixis SA, 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$127,500,000, collateralized by U.S. Treasury Inflation Indexed Note/Bond 0.125%–0.750%, 10/15/26–7/15/30, and U.S. Treasury Note/Bond 0.125%–1.750%, 2/28/23–11/15/30, with a value of \$130,050,000)	127,500	127,500

Health Care Fund

	Face Amount (\$000)	Market Value• (\$000)
Nomura International plc, 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$22,800,000, collateralized by U.S. Treasury Bill 0.000%, 7/14/22, and U.S. Treasury Note/Bond 0.625%– 2.750%, 2/15/24–1/31/27, with a value of \$23,256,000)	22,800	22,800
RBC Capital Markets LLC, 0.050%, 2/1/22 (Dated 1/31/22, Repurchase Value \$2,900,000, collateralized by Fannie Mae 3.000%–4.500%, 6/1/44–11/1/50, with a value of \$2,958,000)	2,900	2,900
		833,100
Total Temporary Cash Investments (Cost \$837,810)		837,811
Total Investments (99.8%) (Cost \$29,947,019)		47,354,438
Other Assets and Liabilities—Net (0.2%)		72,788
Net Assets (100%)		47,427,226

Cost is in \$000.

• See Note A in Notes to Financial Statements.

* Non-income-producing security.

- 1 Considered an affiliated company of the fund as the fund owns more than 5% of the outstanding voting securities of such company.
- 2 Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At January 31, 2022, the aggregate value was \$357,335,000, representing 0.8% of net assets.
- 3 Includes partial security positions on loan to broker-dealers. The total value of securities on loan is \$4,767,000.
- 4 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.
- 5 Collateral of \$4,616,000 was received for securities on loan.
ADR—American Depositary Receipt.

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

Statement of Assets and Liabilities

As of January 31, 2022

(\$000s, except shares and per-share amounts)	Amount
Assets	
Investments in Securities, at Value	
Unaffiliated Issuers (Cost \$26,895,915)	44,641,733
Affiliated Issuers (Cost \$3,051,104)	2,712,705
Total Investments in Securities	47,354,438
Investment in Vanguard	1,656
Cash	281
Foreign Currency, at Value (Cost \$0)	1
Receivables for Investment Securities Sold	86,080
Receivables for Accrued Income	84,968
Receivables for Capital Shares Issued	7,490
Total Assets	47,534,914
Liabilities	
Payables for Investment Securities Purchased	62,645
Collateral for Securities on Loan	4,616
Payables to Investment Advisor	12,364
Payables for Capital Shares Redeemed	24,985
Payables to Vanguard	3,078
Total Liabilities	107,688
Net Assets	47,427,226

At January 31, 2022, net assets consisted of:

Paid-in Capital	28,410,283
Total Distributable Earnings (Loss)	19,016,943
Net Assets	47,427,226

Investor Shares—Net Assets

Applicable to 35,592,335 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	7,493,449
Net Asset Value Per Share—Investor Shares	\$210.54

Admiral Shares—Net Assets

Applicable to 449,837,226 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	39,933,777
Net Asset Value Per Share—Admiral Shares	\$88.77

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

Statement of Operations

Year Ended
January 31, 2022

(\$000)

Investment Income	
Income	
Dividends—Unaffiliated Issuers ¹	522,606
Dividends—Affiliated Issuers ²	34,090
Interest—Unaffiliated Issuers	365
Securities Lending—Net	1,268
Total Income	558,329
Expenses	
Investment Advisory Fees—Note B	
Basic Fee	72,269
Performance Adjustment	(18,830)
The Vanguard Group—Note C	
Management and Administrative—Investor Shares	14,894
Management and Administrative—Admiral Shares	56,756
Marketing and Distribution—Investor Shares	528
Marketing and Distribution—Admiral Shares	1,105
Custodian Fees	829
Auditing Fees	31
Shareholders' Reports—Investor Shares	174
Shareholders' Reports—Admiral Shares	171
Trustees' Fees and Expenses	38
Total Expenses	127,965
Net Investment Income	430,364
Realized Net Gain (Loss)	
Investment Securities Sold—Unaffiliated Issuers	4,739,930
Investment Securities Sold—Affiliated Issuers	99,997
Foreign Currencies	(1,922)
Realized Net Gain (Loss)	4,838,005
Change in Unrealized Appreciation (Depreciation)	
Investment Securities—Unaffiliated Issuers	(2,186,085)
Investment Securities—Affiliated Issuers	(796,567)
Foreign Currencies	(2,581)
Change in Unrealized Appreciation (Depreciation)	(2,985,233)
Net Increase (Decrease) in Net Assets Resulting from Operations	2,283,136

1 Dividends are net of foreign withholding taxes of \$18,947,000.

2 Dividends are net of foreign withholding taxes of \$5,198,000.

Statement of Changes in Net Assets

	Year Ended January 31,	
	2022 (\$000)	2021 (\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	430,364	468,625
Realized Net Gain (Loss)	4,838,005	3,076,612
Change in Unrealized Appreciation (Depreciation)	(2,985,233)	3,557,011
Net Increase (Decrease) in Net Assets Resulting from Operations	2,283,136	7,102,248
Distributions		
Investor Shares	(650,696)	(659,397)
Admiral Shares	(3,443,247)	(3,142,312)
Total Distributions	(4,093,943)	(3,801,709)
Capital Share Transactions		
Investor Shares	(610,620)	(1,001,082)
Admiral Shares	737,980	(44,287)
Net Increase (Decrease) from Capital Share Transactions	127,360	(1,045,369)
Total Increase (Decrease)	(1,683,447)	2,255,170
Net Assets		
Beginning of Period	49,110,673	46,855,503
End of Period	47,427,226	49,110,673

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

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2022	2021	2020	2019	2018
Net Asset Value, Beginning of Period	\$218.60	\$204.57	\$203.34	\$215.96	\$189.88
Investment Operations					
Net Investment Income ¹	1.869	2.005	2.506	2.375	2.162
Net Realized and Unrealized Gain (Loss) on Investments	8.949	29.203	23.326	2.489	38.929
Total from Investment Operations	10.818	31.208	25.832	4.864	41.091
Distributions					
Dividends from Net Investment Income	(1.951)	(1.886)	(2.428)	(2.323)	(2.059)
Distributions from Realized Capital Gains	(16.927)	(15.292)	(22.174)	(15.161)	(12.952)
Total Distributions	(18.878)	(17.178)	(24.602)	(17.484)	(15.011)
Net Asset Value, End of Period	\$210.54	\$218.60	\$204.57	\$203.34	\$215.96
Total Return²	4.48%	16.16%	13.16%	2.76%	22.29%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$7,493	\$8,342	\$8,729	\$8,850	\$9,853
Ratio of Total Expenses to Average Net Assets ³	0.30%	0.32%	0.32%	0.34%	0.38%
Ratio of Net Investment Income to Average Net Assets	0.82%	0.95%	1.25%	1.12%	1.02%
Portfolio Turnover Rate	15%	18%	18%	16%	11%

1 Calculated based on average shares outstanding.

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

3 Includes performance-based investment advisory fee increases (decreases) of (0.04%), (0.01%), (0.02%), 0.00%, and 0.04%.

Financial Highlights

Admiral Shares

For a Share Outstanding Throughout Each Period	Year Ended January 31,				
	2022	2021	2020	2019	2018
Net Asset Value, Beginning of Period	\$92.17	\$86.27	\$85.75	\$91.08	\$80.09
Investment Operations					
Net Investment Income ¹	.830	.883	1.097	1.036	.938
Net Realized and Unrealized Gain (Loss) on Investments	3.780	12.316	9.844	1.057	16.436
Total from Investment Operations	4.610	13.199	10.941	2.093	17.374
Distributions					
Dividends from Net Investment Income	(.870)	(.849)	(1.068)	(1.027)	(.920)
Distributions from Realized Capital Gains	(7.140)	(6.450)	(9.353)	(6.396)	(5.464)
Total Distributions	(8.010)	(7.299)	(10.421)	(7.423)	(6.384)
Net Asset Value, End of Period	\$88.77	\$92.17	\$86.27	\$85.75	\$91.08
Total Return²	4.53%	16.21%	13.22%	2.81%	22.35%

Ratios/Supplemental Data

Net Assets, End of Period (Millions)	\$39,934	\$40,769	\$38,126	\$37,888	\$39,214
Ratio of Total Expenses to Average Net Assets ³	0.25%	0.27%	0.27%	0.28%	0.33%
Ratio of Net Investment Income to Average Net Assets	0.86%	0.99%	1.30%	1.18%	1.07%
Portfolio Turnover Rate	15%	18%	18%	16%	11%

1 Calculated based on average shares outstanding.

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

3 Includes performance-based investment advisory fee increases (decreases) of (0.04%), (0.01%), (0.02%), 0.00%, and 0.04%.

Notes to Financial Statements

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

The fund invests in securities of foreign issuers, which may subject it to investment risks not normally associated with investing in securities of U.S. corporations. Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect assets of the fund and thus fund performance.

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

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

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

3. **Repurchase Agreements:** The fund enters into repurchase agreements with institutional counterparties. Securities pledged as collateral to the fund under repurchase agreements are held by a custodian bank until the agreements mature, and in the absence of a default, such collateral cannot be repledged, resold, or rehypothecated. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. The fund further mitigates its counterparty risk by entering into repurchase agreements only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master repurchase agreements with its counterparties. The master repurchase agreements provide that,

in the event of a counterparty's default (including bankruptcy), the fund may terminate any repurchase agreements with that counterparty, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund. Such action may be subject to legal proceedings, which may delay or limit the disposition of collateral.

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

5. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined on a tax basis at the fiscal year-end and may differ from net investment income and realized capital gains for financial reporting purposes.

6. **Securities Lending:** To earn additional income, the fund lends its securities to qualified institutional borrowers. Security loans are subject to termination by the fund at any time, and are required to be secured at all times by collateral in an amount at least equal to the market value of securities loaned. Daily market fluctuations could cause the value of loaned securities to be more or less than the value of the collateral received. When this occurs, the collateral is adjusted and settled before the opening of the market on the next business day. The fund further mitigates its counterparty risk by entering into securities lending transactions only with a diverse group of prequalified counterparties, monitoring their financial strength, and entering into master securities lending agreements with its counterparties. The master securities lending agreements provide that, in the event of a counterparty's default (including bankruptcy), the fund may terminate any loans with that borrower, determine the net amount owed, and sell or retain the collateral up to the net amount owed to the fund; however, such actions may be subject to legal proceedings. While collateral mitigates counterparty risk, in the event of a default, the fund may experience delays and costs in recovering the securities loaned. The fund invests cash collateral received in Vanguard Market Liquidity Fund, and records a liability in the Statement of Assets and Liabilities for the return of the collateral, during the period the securities are on loan. Collateral investments in Vanguard Market Liquidity Fund are subject to market appreciation or depreciation. Securities lending income represents fees charged to borrowers plus income earned on invested cash collateral, less expenses associated with the loan. During the term of the loan, the fund is entitled to all distributions made on or in respect of the loaned securities.

7. **Credit Facilities and Interfund Lending Program:** The fund and certain other funds managed by The Vanguard Group ("Vanguard") participate in a \$4.3 billion committed credit facility provided by a syndicate of lenders pursuant to a credit agreement and an uncommitted credit facility provided by Vanguard. Both facilities may be renewed annually. Each fund is individually liable for its borrowings, if any, under the credit facilities. Borrowings may be utilized for temporary or emergency purposes, subject to the fund's regulatory and contractual borrowing restrictions. With respect to the committed credit facility, the participating funds are charged administrative fees and an annual commitment fee of 0.10% of the undrawn committed amount of the facility; these fees are allocated to the funds based on a method approved by the fund's board of trustees and included in Management and Administrative expenses on the fund's Statement of Operations. Any borrowings under either facility bear interest at a rate based upon the higher of the one-month London Interbank Offered Rate (or an acceptable alternate rate, if necessary), federal funds

effective rate, or overnight bank funding rate plus an agreed-upon spread, except that borrowings under the uncommitted credit facility may bear interest based upon an alternate rate agreed to by the fund and Vanguard.

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

For the year ended January 31, 2022, the fund did not utilize the credit facilities or the Interfund Lending Program.

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

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

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

B. Wellington Management Company LLP provides investment advisory services to the fund for a fee calculated at an annual percentage rate of average net assets. The basic fee is subject to quarterly adjustments based on the fund's performance relative to the MSCI All Country World Health Care Index for the preceding three years. For the year ended January 31, 2022, the investment advisory fee represented an effective annual basic rate of 0.14% of the fund's average net assets, before a net decrease of \$18,830,000 (0.04%) based on performance.

C. In accordance with the terms of a Funds' Service Agreement (the "FSA") between Vanguard and the fund, Vanguard furnishes to the fund corporate management, administrative, marketing, and distribution services at Vanguard's cost of operations (as defined by the FSA). These costs of operations are allocated to the fund based on methods and guidelines approved by the board of trustees and are generally settled twice a month.

Upon the request of Vanguard, the fund may invest up to 0.40% of its net assets as capital in Vanguard. At January 31, 2022, the fund had contributed to Vanguard capital in the amount of \$1,656,000, representing less than 0.01% of the fund's net assets and 0.66% of Vanguard's capital received pursuant to the FSA. The fund's trustees and officers are also directors and employees, respectively, of Vanguard.

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

The following table summarizes the market value of the fund's investments as of January 31, 2022, based on the inputs used to value them:

	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Total (\$000)
Investments				
Assets				
Common Stocks—North and South America	33,991,662	—	—	33,991,662
Common Stocks—Other	517,865	12,007,100	—	12,524,965
Temporary Cash Investments	4,711	833,100	—	837,811
Total	34,514,238	12,840,200	—	47,354,438

E. Permanent differences between book-basis and tax-basis components of net assets are reclassified among capital accounts in the financial statements to reflect their tax character. These reclassifications have no effect on net assets or net asset value per share. As of period end, permanent differences primarily attributable to the accounting for foreign currency transactions and distributions in connection with fund share redemptions were reclassified between the following accounts:

	Amount (\$000)
Paid-in Capital	164,670
Total Distributable Earnings (Loss)	(164,670)

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

	Amount (\$000)
Undistributed Ordinary Income	30,853
Undistributed Long-Term Gains	1,694,867
Capital Loss Carryforwards	—
Qualified Late-Year Losses	—
Net Unrealized Gains (Losses)	17,291,223

The tax character of distributions paid was as follows:

	Year Ended January 31,	
	2022 Amount (\$000)	2021 Amount (\$000)
Ordinary Income*	966,751	693,669
Long-Term Capital Gains	3,127,192	3,108,040
Total	4,093,943	3,801,709

* Includes short-term capital gains, if any.

As of January 31, 2022, gross unrealized appreciation and depreciation for investments based on cost for U.S. federal income tax purposes were as follows:

	Amount (\$000)
Tax Cost	30,064,845
Gross Unrealized Appreciation	20,731,697
Gross Unrealized Depreciation	(3,442,104)
Net Unrealized Appreciation (Depreciation)	17,289,593

F. During the year ended January 31, 2022, the fund purchased \$7,283,517,000 of investment securities and sold \$10,372,457,000 of investment securities, other than temporary cash investments.

The fund purchased securities from and sold securities to other funds or accounts managed by its investment advisor or their affiliates, in accordance with procedures adopted by the board of trustees in compliance with Rule 17a-7 of the Investment Company Act of 1940. For the year ended January 31, 2022, such purchases were \$6,585,000 and sales were \$2,729,000, resulting in net realized gain of \$558,000; these amounts, other than temporary cash investments, are included in the purchases and sales of investment securities noted above.

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

	Year Ended January 31,			
	2022		2021	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	629,952	2,783	973,375	4,703
Issued in Lieu of Cash Distributions	609,552	2,709	619,156	3,096
Redeemed	(1,850,124)	(8,061)	(2,593,613)	(12,311)
Net Increase (Decrease)—Investor Shares	(610,620)	(2,569)	(1,001,082)	(4,512)
Admiral Shares				
Issued	1,787,859	18,432	2,668,213	30,075
Issued in Lieu of Cash Distributions	3,027,419	31,867	2,766,485	32,638
Redeemed	(4,077,298)	(42,774)	(5,478,985)	(62,362)
Net Increase (Decrease)—Admiral Shares	737,980	7,525	(44,287)	351

H. Certain of the fund investments were in companies that were considered to be affiliated companies of the fund because the fund owned more than 5% of the outstanding voting securities of the company or the issuer was another member of The Vanguard Group. Transactions during the period in securities of these companies were as follows:

	Jan. 31, 2021 Market Value (\$000)	Current Period Transactions						Jan. 31, 2022 Market Value (\$000)
		Purchases at Cost (\$000)	Proceeds from Securities Sold (\$000)	Realized Net Gain (Loss) (\$000)	Change in Unrealized App. (Dep.) (\$000)	Income (\$000)	Capital Gain Distributions Received (\$000)	
2seventy bio Inc.	—	175,131	—	—	(136,920)	—	—	38,211
Agios Pharmaceuticals Inc.	302,276	—	67,191	(67,299)	(8,752)	—	—	159,034
Alkermes plc	285,577	—	51,446	(62,048)	129,000	—	—	301,083
Allscripts Healthcare Solutions Inc.	162,446	—	156,920	41,976	(47,502)	—	—	—
Alnylam Pharmaceuticals Inc.	1,178,188	—	495,563	290,875	(259,686)	—	—	NA ¹
Bluebird Bio Inc.	237,840	24,820	175,131	—	(39,084)	—	—	48,445
Eisai Co. Ltd.	1,303,206	—	—	—	(408,879)	23,134	—	894,327
Ironwood Pharmaceuticals Inc. Class A	111,419	—	—	—	10,139	—	—	121,558
Nektar Therapeutics Class A	257,000	—	33,455	(103,507)	6,549	—	—	126,587
UCB SA	1,060,182	—	—	—	(41,433)	10,956	—	1,018,749
Vanguard Market Liquidity Fund	96	NA ²	NA ²	—	1	—	—	4,711
Total	4,898,230			99,997	(796,567)	34,090	—	2,712,705

1 Not applicable—at January 31, 2022, the security was still held, but the issuer was no longer an affiliated company of the fund.

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

I. Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets and thus performance of the fund; at this time, an aggregate effect on assets and performance cannot be reasonably estimated. Management is continuing to monitor these developments and evaluate impacts they may have on the fund.

Management has determined that no other events or transactions occurred subsequent to January 31, 2022, that would require recognition or disclosure in these financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Vanguard Specialized Funds and Shareholders of Vanguard Health Care Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Vanguard Health Care Fund (one of the funds constituting Vanguard Specialized Funds, referred to hereafter as the "Fund") as of January 31, 2022, the related statement of operations for the year ended January 31, 2022, the statement of changes in net assets for each of the two years in the period ended January 31, 2022, including the related notes, and the financial highlights for each of the five years in the period ended January 31, 2022 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of January 31, 2022, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended January 31, 2022 and the financial highlights for each of the five years in the period ended January 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of January 31, 2022 by correspondence with the custodian, transfer agent and brokers; when replies were not received from the transfer agent or brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 23, 2022

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

Special 2021 tax information (unaudited) for Vanguard Health Care Fund

This information for the fiscal year ended January 31, 2022, is included pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 49.6% of investment income (dividend income plus short-term gains, if any) qualifies for the dividends-received deduction.

The fund distributed \$565,234,000 of qualified dividend income to shareholders during the fiscal year.

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

The fund distributed \$3,279,088,000 as capital gain dividends (20% rate gain distributions) to shareholders during the fiscal year.

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The People Who Govern Your Fund

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

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals. The independent board members have distinguished backgrounds in business, academia, and public service. Each of the trustees and executive officers oversees 217 Vanguard funds.

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

Interested Trustee¹

Mortimer J. Buckley

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

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

Emerson U. Fullwood

Born in 1948. Trustee since January 2008. Principal occupation(s) during the past five years and other experience: executive chief staff and marketing officer for North America and corporate vice president (retired 2008) of Xerox Corporation (document management products and services). Former president of the Worldwide Channels Group, Latin America, and Worldwide Customer Service and executive chief staff officer of Developing Markets of Xerox. Executive in residence and 2009–2010 Distinguished Minett Professor at the Rochester Institute of Technology. Member of the board of directors of the University of Rochester Medical Center, the Monroe Community College Foundation, the United Way of Rochester, North Carolina A&T University, Roberts Wesleyan College, and the Rochester Philharmonic Orchestra. Trustee of the University of Rochester.

Independent Trustees

Tara Bunch

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

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

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

Graduate School of Education, University of Pennsylvania.

F. Joseph Loughrey

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

Mark Loughridge

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

Scott C. Malpass

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

Deanna Mulligan

Born in 1963. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: chief executive officer of Purposeful (advisory firm for CEOs and C-level executives; 2021–present). Board chair (2020), chief executive officer (2011–2020), and president (2010–2019) of The Guardian Life Insurance Company of America. Chief operating officer (2010–2011) and executive vice president (2008–2010) of Individual Life and Disability of the Guardian Life Insurance Company of America. Member of the board of the Economic Club of New York. Trustee of the Partnership for New York City

(business leadership), Chief Executives for Corporate Purpose, and the NewYork-Presbyterian Hospital.

André F. Perold

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

Sarah Bloom Raskin

Born in 1961. Trustee since January 2018. Principal occupation(s) during the past five years and other experience: deputy secretary (2014–2017) of the United States Department of the Treasury. Governor (2010–2014) of the Federal Reserve Board. Commissioner (2007–2010) of financial regulation for the State of Maryland. Colin W. Brown Distinguished Professor of the Practice of Law (2021–present), professor (2020–present), Distinguished Fellow of the Global Financial Markets Center (2020–present), and Rubenstein Fellow (2017–2020) at Duke University. Trustee (2017–present) of Amherst College and member of Amherst College Investment Committee (2019–present). Member of the Regenerative Crisis Response Committee (2020–present).

David A. Thomas

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

Peter F. Volanakis

Born in 1955. Trustee since July 2009. Principal occupation(s) during the past five years and other experience: president and chief operating officer (retired 2010) of Corning Incorporated (communications equipment) and director of Corning Incorporated (2000–2010) and Dow Corning (2001–2010). Director (2012) of SPX Corporation (multi-industry manufacturing). Overseer of the Amos Tuck School of Business Administration, Dartmouth College (2001–2013). Member of the BMW Group Mobility Council.

Executive Officers

Christine M. Buchanan

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

David Cermak

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

John Galloway

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

Peter Mahoney

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

Anne E. Robinson

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

Michael Rollings

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

John E. Schadl

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

Vanguard Senior Management Team

Matthew Benchener

Joseph Brennan

Mortimer J. Buckley

Gregory Davis

John James

John T. Marcante

Chris D. McIsaac

Thomas M. Rampulla

Karin A. Risi

Anne E. Robinson

Michael Rollings

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