

# Vanguard® Extended Market Index Fund

## Investment Approach

Seeks to track the performance of the S&P Completion Index. Mid- and small-cap equity diversified across growth and value styles.

Passively managed, using index sampling.

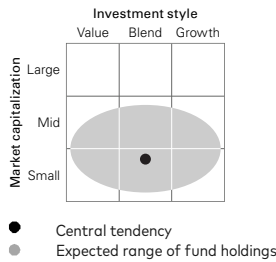
Fund remains fully invested.

Low expenses help minimize net tracking error.

**Note:** The Investor Shares are closed to new investors.

## Vanguard Style View: Mid Blend

Index portfolio of mid- and small-capitalization stocks diversified across investment styles.



## Quarterly Commentary

The fourth quarter of 2023 was a volatile period for the financial markets. Stocks and bonds continued to lose ground early on amid concerns that interest rates might remain elevated for an extended period. They went on to post strong gains, however, as inflation remained on a downward trend and economic growth softened, leading the markets to anticipate that policy rates had reached their peak and that cuts were likely not too far down the road.

Global stocks returned about 11% for the quarter, as measured by the FTSE Global All Cap Index, with equities in Europe and the United States climbing a little more than those in Asia and emerging markets.

Overall, yields of U.S. bonds finished the quarter lower and their prices higher. The yield for the bellwether 10-year U.S. Treasury note, for example, climbed to around 5% in October before sliding to end the year at less than 4%. The broad U.S. investment-grade bond market returned 6.72% (as measured by the Bloomberg U.S. Aggregate Float Adjusted Index).

The S&P Completion Index returned 14.90% for the three-month period ended December 31. The index's large-cap counterpart, the S&P 500 Index, returned 11.69%.

The top contributors were financials (+20.3%), information technology (+16.7%), and industrials (+15.1%).

The sole detractor was energy (-5.3%).

For the 12-month period ended December 31, 2023, the S&P Completion Index returned 24.97%. Information technology (+48.9%), industrials (+35.8%), and financials (+23.9%) were the top contributors. The only detractor was utilities (-7.0%).

## People and Process

Vanguard Extended Market Index Fund seeks to track the investment performance of the S&P Completion Index, an unmanaged benchmark representing mid- and small-capitalization U.S. stocks. Vanguard's Equity Index Group has refined techniques for reducing tracking error. The group uses proprietary software to implement trading decisions that accommodate cash flow 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, Investment Strategy, 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 Extended Market Index Fund since 1987.

## Investment Manager Biographies

Michelle Louie, CFA. Portfolio manager. Advised the fund since 2023. Worked in investment management since 2011. B.S., The American University. M.B.A., Georgia Institute of Technology.

Nick Birkett, CFA. Portfolio manager. Advised the fund since 2023. Worked in investment management since 2005. BSc, University of Bath.

**Total Returns**

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception
Extended Market Index Fund								
Investor Shares (12/21/1987)	0.19%	15.10%	25.23%	25.23%	1.08%	11.77%	8.40%	—
Admiral Shares (11/13/2000)	0.06	15.12	25.38	25.38	1.21	11.91	8.54	—
Institutional Shares (7/7/1997)	0.05	15.13	25.41	25.41	1.23	11.92	8.56	—
Institutional Plus Shares (1/14/2011)	0.04	15.13	25.42	25.42	1.23	11.93	8.57	—
Institutional Select Shares (6/27/2016)	0.02	15.14	25.44	25.44	1.25	11.95	—	11.45%
Spliced Extended Market Index	—	14.90	24.97	24.97	1.04	11.77	8.42	—

**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 Extended Market Index: Dow Jones Wilshire 4500 Index through June 17, 2005; S&P Transitional Completion Index through September 16, 2005; S&P Completion Index thereafter. Admiral class shareholders are required to maintain specific minimum balances and meet other special criteria. Institutional class shareholders are required to maintain a minimum balance of \$5 million. Institutional Plus class shareholders are required to maintain a minimum balance of \$100 million.

**Quarterly Returns: Investor Shares**

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		
					Extended Market	Spliced Extended Market Index	Assets (Millions)
2023	5.81%	6.42%	-3.38%	15.10%	25.23%	24.97%	\$232
2022	-9.37	-20.70	-2.75	5.07	-26.56	-26.54	229
2021	7.76	7.08	-3.30	0.66	12.31	12.35	399
2020	-28.01	31.09	9.83	27.39	32.04	32.17	454
2019	15.95	3.00	-1.64	8.85	27.87	27.95	455
2018	0.12	5.96	4.33	-18.21	-9.47	-9.57	1,139
2017	4.52	2.64	4.92	4.77	17.94	18.11	1,548
2016	-0.89	3.37	7.23	5.58	15.99	15.95	2,021
2015	5.26	-0.47	-10.59	3.13	-3.39	-3.35	2,040
2014	2.70	3.29	-4.82	6.40	7.42	7.50	2,341
2013	12.90	2.38	10.19	8.50	38.19	38.24	2,749

**Quarterly Returns: Admiral Shares**

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		
					Extended Market	Spliced Extended Market Index	Assets (Millions)
2023	5.85%	6.45%	-3.34%	15.12%	25.38%	24.97%	\$23,639
2022	-9.34	-20.67	-2.73	5.11	-26.47	-26.54	20,012
2021	7.79	7.11	-3.27	0.70	12.45	12.35	29,054
2020	-28.00	31.16	9.87	27.43	32.21	32.17	26,784
2019	15.97	3.04	-1.61	8.90	28.03	27.95	22,391
2018	0.15	5.98	4.37	-18.18	-9.36	-9.57	17,644
2017	4.56	2.67	4.96	4.82	18.11	18.11	19,712
2016	-0.86	3.40	7.26	5.61	16.13	15.95	15,830
2015	5.30	-0.44	-10.56	3.16	-3.27	-3.35	13,143
2014	2.73	3.32	-4.79	6.43	7.56	7.50	12,852
2013	12.92	2.41	10.22	8.55	38.37	38.24	8,864

**Quarterly Returns: Institutional Shares**

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		
					Extended Market	Spliced Extended Market Index	Assets (Millions)
2023	5.85%	6.46%	-3.34%	15.13%	25.41%	24.97%	\$15,139
2022	-9.33	-20.67	-2.73	5.12	-26.46	-26.54	12,983
2021	7.79	7.12	-3.27	0.70	12.47	12.35	19,456
2020	-27.99	31.15	9.87	27.44	32.23	32.17	18,658
2019	15.99	3.04	-1.60	8.89	28.05	27.95	14,927
2018	0.16	5.99	4.37	-18.18	-9.35	-9.57	12,443
2017	4.57	2.67	4.97	4.82	18.12	18.11	13,359
2016	-0.87	3.42	7.27	5.62	16.15	15.95	10,554
2015	5.31	-0.44	-10.55	3.17	-3.24	-3.35	8,621
2014	2.73	3.32	-4.79	6.44	7.56	7.50	8,567
2013	12.95	2.41	10.22	8.57	38.42	38.24	7,812

**Quarterly Returns: Institutional Plus Shares**

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		
					Extended Market	Spliced Extended Market Index	Assets (Millions)
2023	5.85%	6.46%	-3.34%	15.13%	25.42%	24.97%	\$12,216
2022	-9.33	-20.67	-2.73	5.11	-26.45	-26.54	10,446
2021	7.79	7.12	-3.27	0.70	12.48	12.35	15,973
2020	-27.99	31.16	9.87	27.44	32.24	32.17	11,665
2019	15.98	3.05	-1.60	8.90	28.07	27.95	9,486
2018	0.16	5.99	4.36	-18.17	-9.35	-9.57	7,559
2017	4.57	2.67	4.97	4.82	18.13	18.11	10,565
2016	-0.85	3.42	7.27	5.63	16.18	15.95	13,530
2015	5.31	-0.43	-10.55	3.17	-3.23	-3.35	14,526
2014	2.74	3.33	-4.78	6.44	7.60	7.50	13,634
2013	12.95	2.42	10.23	8.56	38.43	38.24	11,347

**Quarterly Returns: Institutional Select Shares**

Year-End

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		Assets (Millions)
					Extended Market	Spliced Extended Market Index	
2023	5.86%	6.47%	-3.34%	15.14%	25.44%	24.97%	\$28,375
2022	-9.33	-20.66	-2.72	5.12	-26.44	-26.54	22,239
2021	7.79	7.13	-3.26	0.70	12.50	12.35	26,240
2020	-27.99	31.16	9.88	27.44	32.27	32.17	24,472
2019	15.99	3.05	-1.59	8.90	28.09	27.95	19,166
2018	0.17	6.00	4.37	-18.17	-9.32	-9.57	13,390
2017	4.58	2.68	4.98	4.82	18.17	18.11	12,250
2016 <sup>1</sup>	—	5.73	7.27	5.63	19.81	19.67	5,227

<sup>1</sup> Since inception of the share class, 6/27/2016.**Fund Facts**

	Investor Shares	Admiral Shares	Institutional Shares	Institutional Plus Shares	Institutional Select Shares
Fund Number	0098	0598	0856	1860	1898
Ticker	VEXMX	VEXAX	VIEIX	VEMPX	VSEMX
Newspaper Listing	Extnd	ExtndAdml	ExtndInst	ExtndInstPl	VanExMtlxInsSel
CUSIP Number	922908207	922908694	922908884	922908371	922908322
Assets (millions) (Total \$97,208)	\$232	\$23,639	\$15,139	\$12,216	\$28,375
Inception	12/21/1987	11/13/2000	7/7/1997	1/14/2011	6/27/2016
Expense Ratio (as of 4/2023)	0.19%	0.06%	0.05%	0.04%	0.02%

**Volatility Measures**

	R-Squared	Beta
Spliced Extended Market Index	1.00	1.00
DJ US Total Stock Mkt Float Adj Idx	0.85	1.11

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

**Equity Characteristics**

	Extended Market	S&P Completion Index
Number of stocks	3,629	3,613
Median market cap	\$6.7 Billion	\$6.8 Billion
Average market cap	\$12.3 Billion	\$12.3 Billion
Price/earnings ratio	15.7x	15.7x
Price/book ratio	2.5x	2.5x
Return on equity	8.5%	8.4%
Earnings growth rate	15.6%	15.6%
Equity yield (dividend)	1.2%	1.2%
Foreign holdings	0.8%	0.0%
Short-term reserves	0.0%	—
Turnover rate (fiscal year end)	11.3%	—

**Top 10 Largest Holdings**

	% of Total Net Assets
Snowflake Inc.	1.0%
CrowdStrike Holdings Inc.	0.9
Workday Inc.	0.9
KKR & Co. Inc.	0.8
Marvell Technology Inc.	0.8
Block Inc.	0.7
Apollo Global Management Inc.	0.6
Cheniere Energy Inc.	0.6
Ferguson plc	0.6
Atlassian Corp.	0.6
<b>Total</b>	<b>7.5%</b>

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

**Sector Diversification (% of Stocks)**

	Extended Market	S&P Completion Index	Overweight/Underweight
Communication Services	4.1%	4.1%	0.0
Consumer Discretionary	11.4	11.4	0.0
Consumer Staples	2.8	2.9	-0.1
Energy	4.4	4.4	0.0
Financials	17.4	17.4	0.0
Health Care	11.8	11.8	0.0
Industrials	17.0	16.9	0.1
Information Technology	18.9	19.0	-0.1
Materials	4.4	4.3	0.1
Other	0.0	0.0	0.0
Real Estate	6.0	6.0	0.0
Utilities	1.8	1.8	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.

Please remember that all investments involve some risk. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Diversification does not ensure a profit or protect against a loss. Funds that concentrate on a relatively narrow market sector face the risk of higher share-price volatility.

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized through the fund's trading or through your own redemption of shares. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal Alternative Minimum Tax.

High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings.

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.

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