

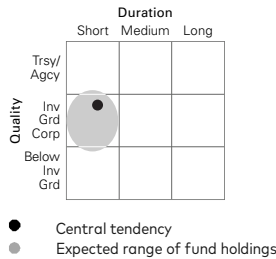
# Vanguard® Short-Term Corporate Bond ETF

## Investment Approach

Seeks to track the performance of the Bloomberg U.S. 1–5 Year Corporate Bond Index.  
 Diversified exposure to the short-term investment-grade U.S. corporate bond market.  
 Follows a passively managed, index sampling approach.  
 Provides current income with high credit quality.

## Vanguard Style View: Short-Term Bond

Portfolio of high-quality, short-term corporate bonds.



## Quarterly Commentary

Major stock markets continued to advance in the first quarter of 2024, with a number of indexes reaching record highs. In the U.S., inflation readings came in higher than expected, but the labor market stayed on a solid footing, consumer spending remained strong, and the economy showed continued vigor. Given this backdrop, the Federal Reserve left interest rates unchanged.

With rate cuts looking less imminent, bond yields generally rose and prices declined. The broad U.S. investment-grade bond market returned -0.72% (as measured by the Bloomberg U.S. Aggregate Float Adjusted Index). Corporate debt held up better than both Treasuries and mortgage-backed securities, thanks in part to a decline in the marginal yield they offer relative to Treasuries.

The Bloomberg U.S. 1–5 Year Corporate Bond Index, the benchmark for Vanguard Short-Term Corporate Bond Index Fund, returned 0.60% for the quarter and 5.07% for the 12 months ended March 31.

By sector, the average quarterly returns of short-term corporate bonds ranged from 0.4% to 0.8%. At the low end were industrial bonds, which accounted for nearly half of the index as of March 31. At the high end were financial issues, also nearly half of the index. In between, returning 0.6%, were utility bonds (less than 6% of the index).

For the fourth consecutive quarter, lower-quality bonds generally outperformed their higher-quality counterparts. Baa-rated issues, which accounted for a bit more than 45% of the index as of March 31, returned 0.7%, on average; A-rated bonds (about 47% of the index) returned 0.5%; and Aa-rated and Aaa-rated bonds (roughly 7% and 1%, respectively) both returned 0.3%.

Small deviations in the fund's performance versus that of its benchmark index may occur because of the fund's approach to approximating the index and temporary pricing differences between the fund and the index.

## People and Process

Vanguard Short-Term Corporate Bond ETF seeks to track the performance of a market-weighted corporate bond index with a short-term dollar-weighted average maturity. The fund invests by sampling the index, meaning that it holds a range of securities that, in the aggregate, approximates the full index in terms of key risk factors and other characteristics. All of the fund's investments will be selected through the sampling process and at least 80% of the fund's assets will be invested in bonds included in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index.

## Vanguard Fixed Income 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. Sara Devereux, principal and global head of Fixed Income Group, has direct oversight responsibility for all money market, bond, and stable value portfolios managed by the Fixed Income Group. The Fixed Income Group offers actively managed investments in U.S. Treasury, corporate, and tax-exempt securities, as well as passively managed index portfolios. Since 1981, it has refined techniques in total-return management, credit research, and index sampling to seek to deliver consistent performance with transparency and risk control. The group has advised Vanguard Short-Term Corporate Bond ETF since 2009.

## Investment Manager Biographies

Joshua C. Barrickman, CFA, Principal, Co-Head of Fixed Income Indexing Americas. Portfolio manager. Advised the fund since 2009. Worked in investment management since 1999. B.S., Ohio Northern University. M.B.A., Lehigh University.

**Total Returns**

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Short-Term Corporate Bond ETF (11/19/2009)	0.04%						
Net Asset Value	—	0.57%	0.57%	5.01%	0.32%	1.88%	2.04%
Market Price	—	0.52	0.52	4.82	0.25	1.85	2.03
Bloomberg U.S. 1-5 Year Corporate Bond Index	—	0.60	0.60	5.07	0.32	1.98	2.14

**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.

Market price returns are calculated using the midpoint between the bid and offer price at the time NAV is calculated, typically 4 p.m., Eastern time.

## Quarterly Returns

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Short-Term Corporate Bond ETF	Bloomberg 1-5 Year Corporate Index	Year-End
							Assets (Millions)
2024	0.57%	—	—	—	—	—	\$35,580
2023	1.76	0.06%	0.24%	4.10%	6.24%	6.20%	35,360
2022	-3.71	-1.95	-1.94	1.85	-5.71	-5.62	40,635
2021	-0.61	0.79	0.10	-0.69	-0.41	-0.47	41,614
2020	-2.38	5.57	0.89	1.06	5.08	5.41	36,264
2019	2.64	2.01	1.19	0.85	6.85	6.99	25,723
2018	-0.79	0.26	0.70	0.73	0.91	0.95	20,226
2017	0.95	0.86	0.68	-0.06	2.45	2.56	21,683
2016	1.74	1.35	0.46	-0.92	2.63	2.87	15,775
2015	1.22	-0.21	0.56	-0.33	1.25	1.24	10,916
2014	0.86	0.93	-0.15	0.30	1.96	2.08	9,156

## Fund Facts

Fund Number	3145
Ticker	VCSH
Intra-day Ticker	VCSH.IV
Benchmark Ticker	I06728US
CUSIP Number	92206C409
Assets (millions)	\$35,580
Inception	11/19/2009
Expense Ratio (as of 12/2023)	0.04%

## Volatility Measures

	R-Squared	Beta
Bloomberg US 1-5 Yr Corporate Index	1.00	1.00
Spliced Bloomberg USAgg Flt Adjx	0.90	0.50

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

## Distribution by Credit Quality

	% of Portfolio
U.S. Government	0.7%
Aaa	0.8
Aa	6.5
A	46.7
Baa	45.4
Not Rated	-0.1
<b>Total</b>	<b>100.0%</b>

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

**Distribution by Issuer**

	% of Portfolio
Finance	43.9%
Industrial	49.4
Treasury/Agency	0.7
Utilities	6.0
<b>Total</b>	<b>100.0%</b>

**Distribution by Effective Maturity**

	% of Portfolio
Under 1 Year	0.5%
1 to 2 Years	23.7%
2 to 3 Years	25.0%
3 to 4 Years	23.6%
4 to 5 Years	20.4%
Over 5 Years	6.8%
<b>Total</b>	<b>100.0%</b>

## 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.

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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