



**Vanguard**<sup>®</sup>

# Vanguard Financials ETF

Supplement to the Prospectus Dated December 15, 2010

## Prospectus Text Changes

The text and table under the heading “Fees And Expenses” are replaced with the following:

The following table describes the fees and expenses you may pay if you buy and hold ETF Shares of the Fund. “Acquired Fund Fees and Expenses” are expenses incurred indirectly by the Fund through its ownership of shares in other investment companies, such as business development companies. These expenses are similar to the expenses paid by any operating company held by the Fund. They are not direct costs paid by Fund shareholders and are not used to calculate the Fund’s net asset value. They have no impact on the costs associated with fund operations. Acquired Fund Fees and Expenses are not included in the Fund’s financial statements, which provide a clearer picture of a fund’s actual operating costs.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.18%
12b-1 Distribution Fee	None
Other Expenses	0.06%
Acquired Fund Fees and Expenses	0.03%
Total Annual Fund Operating Expenses	0.27%

*(over, please)*

In the same section, the table under the “Example” heading is replaced with the following:

1 Year	3 Years	5 Years	10 Years
\$28	\$87	\$152	\$343

In the **More on the Fund** section, the following is added after the “Plain Talk About Costs of Investing” box:

#### Plain Talk About Business Development Companies and “Acquired Fund Fees and Expenses”

A fund may invest in business development companies (BDCs), a special type of closed-end investment company that tends to invest in small, developing, financially troubled, and often private companies. Like an automaker, retailer, or any other operating company, a BDC incurs expenses such as employee salaries. These costs are not paid directly by a fund that owns shares in a BDC, just as the costs of labor and steel are not paid directly by a fund that owns shares in an automaker.

SEC rules nevertheless require that any expenses incurred by a BDC be included in a fund’s expense ratio as “Acquired Fund Fees and Expenses.” The expense ratio of a fund that holds a BDC will need to overstate what the fund actually spends on portfolio management, administrative services, and other shareholder services by an amount equal to these Acquired Fund Fees and Expenses. The Acquired Fund Fees and Expenses are not included in a fund’s financial statements, which provide a clearer picture of a fund’s actual operating expenses.

The following term is added to the **Glossary of Investment Terms**:

**Acquired Fund.** Any mutual fund, business development company, closed-end investment company, or other pooled investment vehicle whose shares are owned by a fund.



# Vanguard U.S. Sector ETFs Prospectus

December 15, 2010

**Exchange-traded fund shares that are not individually redeemable and are traded on NYSE Arca**

Vanguard Consumer Discretionary Index Fund ETF Shares (VCR)

Vanguard Consumer Staples Index Fund ETF Shares (VDC)

Vanguard Energy Index Fund ETF Shares (VDE)

Vanguard Financials Index Fund ETF Shares (VFH)

Vanguard Health Care Index Fund ETF Shares (VHT)

Vanguard Industrials Index Fund ETF Shares (VIS)

Vanguard Information Technology Index Fund ETF Shares (VGT)

Vanguard Materials Index Fund ETF Shares (VAW)

Vanguard Telecommunication Services Index Fund ETF Shares (VOX)

Vanguard Utilities Index Fund ETF Shares (VPU)



This prospectus contains financial data for the Funds through the fiscal year ended August 31, 2010.

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

# Contents

Vanguard ETF Summaries		Investing in Vanguard ETF Shares	61
Consumer Discretionary ETF	1	More on the Funds and ETF Shares	63
Consumer Staples ETF	7	The Funds and Vanguard	73
Energy ETF	13	Investment Advisor	74
Financials ETF	19	Dividends, Capital Gains, and Taxes	75
Health Care ETF	25	Share Price and Market Price	77
Industrials ETF	31	Additional Information	77
Information Technology ETF	37	Financial Highlights	79
Materials ETF	43	Glossary of Investment Terms	90
Telecommunication Services ETF	49		
Utilities ETF	55		

# Vanguard Consumer Discretionary ETF

## Investment Objective

Vanguard Consumer Discretionary Index Fund seeks to track the performance of a benchmark index that measures the investment return of consumer discretionary stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.18%
12b-1 Distribution Fee	None
Other Expenses	0.06%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Consumer Discretionary ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Consumer Discretionary ETF. This example assumes that Consumer Discretionary ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 7%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® U.S. Investable Market Consumer Discretionary 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the consumer discretionary sector, as classified under the Global Industry Classification Standard (GICS). The GICS consumer discretionary sector is made up of those manufacturing and service industries that tend to be the most sensitive to economic cycles. Its manufacturing segment includes the following industries: automotive, household durable goods, textiles and apparel, and leisure equipment. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations

in the overall market. Because the Fund invests all, or substantially all, of its assets in the consumer discretionary sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the consumer discretionary sector could be affected by, among other things, overall economic conditions, interest rates, consumer confidence, and disposable income.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

- Consumer Discretionary ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Consumer Discretionary ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Consumer Discretionary ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Consumer Discretionary ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Consumer Discretionary ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Consumer Discretionary ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Consumer Discretionary 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Consumer Discretionary 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 14.92%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 21.04% (quarter ended September 30, 2009), and the lowest return for a quarter was -25.41% (quarter ended December 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Jan. 26, 2004)
<b>Vanguard Consumer Discretionary Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	46.52%	-2.15%	-0.11%
Return After Taxes on Distributions	46.32	-2.32	-0.27
Return After Taxes on Distributions and Sale of Fund Shares	30.51	-1.83	-0.11
<i>Based on Market Price</i>			
Return Before Taxes	46.43	-2.16	-0.11
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Consumer Discretionary Index	46.75%	-2.05%	0.02%
Spliced US IMI Consumer Discr 25/50 Index	46.75	-2.05	0.02

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### Portfolio Manager

Michael A. Johnson, Portfolio Manager. He has managed the Consumer Discretionary Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Consumer Staples ETF

## Investment Objective

Vanguard Consumer Staples Index Fund seeks to track the performance of a benchmark index that measures the investment return of consumer staples stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.19%
12b-1 Distribution Fee	None
Other Expenses	0.05%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Consumer Staples ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Consumer Staples ETF. This example assumes that Consumer Staples ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 7%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Consumer Staples 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the consumer staples sector, as classified under the Global Industry Classification Standard (GICS). The GICS consumer staples sector is made up of companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages, and tobacco, as well as producers of nondurable household goods and personal products. It also includes food and drug retailing companies as well as hypermarkets and consumer supercenters.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in

the consumer staples sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the consumer staples sector could be affected by, among other things, consumer tastes, government regulation, marketing, and consumer confidence.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

- Consumer Staples ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Consumer Staples ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Consumer Staples ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Consumer Staples ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.

Trading of Consumer Staples ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Consumer Staples ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Consumer Staples 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Consumer Staples 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 7.50%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 11.50% (quarter ended September 30, 2009), and the lowest return for a quarter was -13.15% (quarter ended December 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Jan. 26, 2004)
<b>Vanguard Consumer Staples Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	16.95%	5.71%	6.38%
Return After Taxes on Distributions	16.49	5.43	6.08
Return After Taxes on Distributions and Sale of Fund Shares	11.62	4.91	5.50
<i>Based on Market Price</i>			
Return Before Taxes	16.77	5.72	6.38
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Consumer Staples Index	15.56%	5.77%	6.30%
Spliced US IMI Consumer Staples 25/50 Index	15.56	5.77	6.30

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### **Portfolio Manager**

Michael A. Johnson, Portfolio Manager. He has managed the Consumer Staples Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Energy ETF

## Investment Objective

Vanguard Energy Index Fund seeks to track the performance of a benchmark index that measures the investment return of energy stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.20%
12b-1 Distribution Fee	None
Other Expenses	0.04%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Energy ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Energy ETF. This example assumes that Energy ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 16%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Energy 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the energy sector, as classified under the Global Industry Classification Standard (GICS). The GICS energy sector is made up of companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, and other energy-related equipment and services (such as seismic data collection); or companies engaged in the exploration, production, marketing, refining, and/or transportation of oil and gas products.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in

the energy sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the energy sector could be affected by, among other things, geopolitical events, government regulation, economic cycles, and fuel prices.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

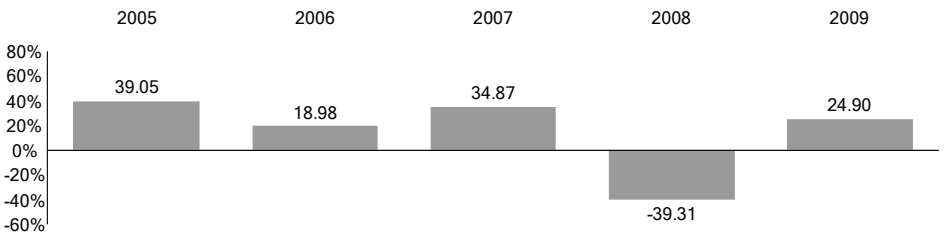
- Energy ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an Energy ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Energy ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Energy ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Energy ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Energy ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Energy 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Energy 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was -0.72%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 21.57% (quarter ended September 30, 2005), and the lowest return for a quarter was -27.62% (quarter ended September 30, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Sep. 23, 2004)
<b>Vanguard Energy Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	24.90%	11.08%	11.88%
Return After Taxes on Distributions	24.64	10.88	11.67
Return After Taxes on Distributions and Sale of Fund Shares	16.54	9.67	10.40
<i>Based on Market Price</i>			
Return Before Taxes	24.96	11.07	11.88
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Energy Index	19.44%	10.64%	11.52%
Spliced US IMI Energy 25/50 Index	19.44	10.64	11.52

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### **Portfolio Manager**

Jeffrey D. Miller, Portfolio Manager. He has managed the Energy Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Financials ETF

## Investment Objective

Vanguard Financials Index Fund seeks to track the performance of a benchmark index that measures the investment return of financial stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.18%
12b-1 Distribution Fee	None
Other Expenses	0.06%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Financials ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Financials ETF. This example assumes that Financials ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 11%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Financials 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the financials sector, as classified under the Global Industry Classification Standard (GICS). The GICS financials sector is made up of companies involved in activities such as banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment, and real estate (including REITs).

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in the financials sector, the Fund’s performance largely depends—for better or for

worse—on the general condition of that sector. Companies in the financials sector could be affected by, among other things, government regulation, interest rates, cost of capital funds, credit losses, and financial markets.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

- Financials ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Financials ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Financials ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Financials ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Financials ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Financials ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Financials 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Financials 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 2.76%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 28.84% (quarter ended June 30, 2009), and the lowest return for a quarter was -33.25% (quarter ended December 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Jan. 26, 2004)
<b>Vanguard Financials Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	14.81 %	-9.40%	-6.68 %
Return After Taxes on Distributions	14.37	-9.80	-7.09
Return After Taxes on Distributions and Sale of Fund Shares	9.88	-7.67	-5.46
<i>Based on Market Price</i>			
Return Before Taxes	14.57	-9.41	-6.68
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Financials Index	14.38%	-9.38%	-6.64%
Spliced US IMI Financials 25/50 Index	14.38	-9.38	-6.64

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### Portfolio Manager

Jeffrey D. Miller, Portfolio Manager. He has managed the Financials Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Health Care ETF

## Investment Objective

Vanguard Health Care Index Fund seeks to track the performance of a benchmark index that measures the investment return of health care stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.19%
12b-1 Distribution Fee	None
Other Expenses	0.05%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Health Care ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Health Care ETF. This example assumes that Health Care ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 10%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Health Care 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the health care sector, as classified under the Global Industry Classification Standard (GICS). The GICS health care sector is made up of two main industry groups. The first group includes companies that manufacture health care equipment and supplies or provide health care-related services (such as distributors of health care products, providers of basic health care services, and owners and operators of health care facilities and organizations). The second group includes companies primarily involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market.

Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in the health care sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the health care sector could be affected by, among other things, patent protection, government regulation, research and development costs, litigation, and competitive forces.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

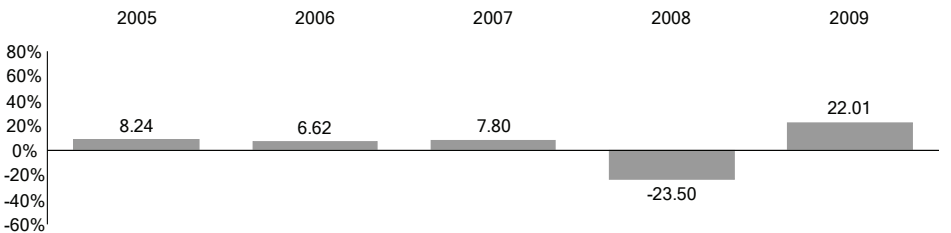
- Health Care ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Health Care ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Health Care ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Health Care ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Health Care ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Health Care ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Health Care 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Health Care 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 0.70%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 10.17% (quarter ended June 30, 2009), and the lowest return for a quarter was -13.74% (quarter ended December 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Jan. 26, 2004)
<b>Vanguard Health Care Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	22.01%	3.04%	2.49%
Return After Taxes on Distributions	21.53	2.81	2.29
Return After Taxes on Distributions and Sale of Fund Shares	14.96	2.60	2.13
<i>Based on Market Price</i>			
Return Before Taxes	21.90	3.01	2.49
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Health Care Index	22.24%	3.24%	2.71%
Spliced US IMI Health Care 25/50 Index	22.24	3.24	2.71

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### Portfolio Manager

Ryan E. Ludt, Principal of Vanguard. He has managed the Health Care Index Fund since its inception in 2004.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Industrials ETF

## Investment Objective

Vanguard Industrials Index Fund seeks to track the performance of a benchmark index that measures the investment return of industrial stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.18%
12b-1 Distribution Fee	None
Other Expenses	0.06%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Industrials ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Industrials ETF. This example assumes that Industrials ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 10%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Industrials 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the industrial sector, as classified under the Global Industry Classification Standard (GICS). The GICS industrial sector is made up of companies whose businesses are dominated by one of the following activities: the manufacture and distribution of capital goods (including aerospace and defense; construction, engineering, and building products; electrical equipment; and industrial machinery); the provision of commercial services and supplies (including printing, employment, environmental, and office services); or the provision of transportation services (including airlines, couriers, marine, road, and rail services, and transportation infrastructure).

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market.

Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in the industrials sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the industrials sector could be affected by, among other things, government regulation, world events and economic conditions, insurance costs, and labor relations.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

- Industrials ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an Industrials ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Industrials ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Industrials ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Industrials ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Consumer Staples ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Industrials 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Industrials 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 11.94%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 21.47% (quarter ended September 30, 2009), and the lowest return for a quarter was -24.22% (quarter ended December 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Sep. 23, 2004)
<b>Vanguard Industrials Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	22.39%	0.21%	2.59%
Return After Taxes on Distributions	22.14	-0.01	2.36
Return After Taxes on Distributions and Sale of Fund Shares	14.89	0.18	2.22
<i>Based on Market Price</i>			
Return Before Taxes	22.25	0.19	2.58
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Industrials Index	22.54%	0.10%	2.41%
Spliced US IMI Industrials 25/50 Index	22.54	0.10	2.41

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### **Portfolio Manager**

Jeffrey D. Miller, Portfolio Manager. He has managed the Industrials Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Information Technology ETF

## Investment Objective

Vanguard Information Technology Index Fund seeks to track the performance of a benchmark index that measures the investment return of information technology stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.20%
12b-1 Distribution Fee	None
Other Expenses	0.04%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Information Technology ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Information Technology ETF. This example assumes that Information Technology ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 9%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Information Technology 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the information technology sector, as classified under the Global Industry Classification Standard (GICS). The GICS information technology sector is made up of companies in the following three general areas: technology software and services, including companies that primarily develop software in various fields (such as the Internet, applications, systems, databases, management, and/or home entertainment) and companies that provide information technology consulting and services, data processing, and outsourced services; technology hardware and equipment, including manufacturers and distributors of communications equipment, computers and peripherals, electronic equipment, and related instruments; and semiconductors and semiconductor equipment manufacturers.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in the information technology sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the information technology sector could be affected by, among other things, overall economic conditions, short product cycles, rapid obsolescence of products, competition, and government regulation.
- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

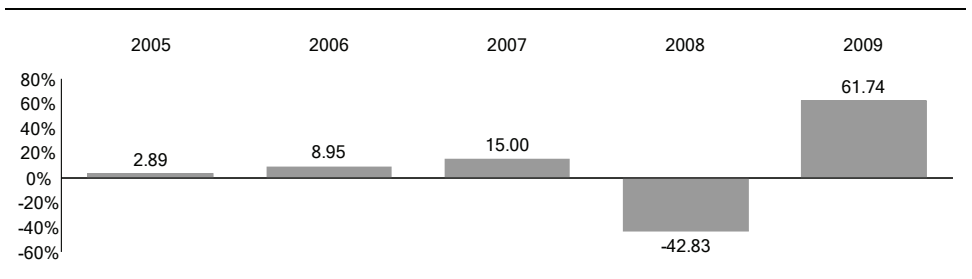
- Information Technology ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an Information Technology ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Information Technology ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Information Technology ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Information Technology ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Information Technology ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

### Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Information Technology 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Information Technology 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 1.31%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 20.61% (quarter ended June 30, 2009), and the lowest return for a quarter was -25.87% (quarter ended December 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Jan. 26, 2004)
<b>Vanguard Information Technology Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	61.74%	3.57%	1.87%
Return After Taxes on Distributions	61.63	3.51	1.78
Return After Taxes on Distributions and Sale of Fund Shares	40.28	3.06	1.59
<i>Based on Market Price</i>			
Return Before Taxes	62.03	3.61	1.89
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Information Technology Index	62.18%	3.77%	2.06%
Spliced US IMI Info Tech 25/50 Index	62.18	3.77	2.06

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### **Portfolio Manager**

Jeffrey D. Miller, Portfolio Manager. He has managed the Information Technology Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Materials ETF

## Investment Objective

Vanguard Materials Index Fund seeks to track the performance of a benchmark index that measures the investment return of materials stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.19%
12b-1 Distribution Fee	None
Other Expenses	0.05%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Materials ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Materials ETF. This example assumes that Materials ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 10%.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Materials 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the materials sector, as classified under the Global Industry Classification Standard (GICS). The GICS materials sector is made up of companies in a wide range of commodity-related manufacturing industries. Included within this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products, and related packaging products, as well as metals, minerals, and mining companies, including producers of steel.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in

the materials sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the materials sector could be affected by, among other things, commodity prices, government regulation, inflation expectations, resource availability, and economic cycles.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

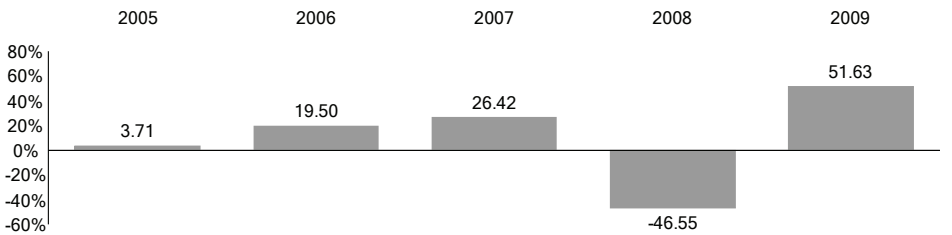
- Materials ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Materials ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Materials ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Materials ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Materials ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Materials ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Materials 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Materials 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 4.57%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 22.46% (quarter ended September 30, 2009), and the lowest return for a quarter was -31.30% (quarter ended December 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Jan. 26, 2004)
<b>Vanguard Materials Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	51.63%	4.89%	7.49%
Return After Taxes on Distributions	51.33	4.59	7.18
Return After Taxes on Distributions and Sale of Fund Shares	33.97	4.18	6.48
<i>Based on Market Price</i>			
Return Before Taxes	51.58	4.88	7.49
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Materials Index	51.80%	4.98%	7.60%
Spliced US IMI Materials 25/50 Index	51.80	4.98	7.60

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### **Portfolio Manager**

Michael D. Eyre, CFA, CPA, Portfolio Manager. He has managed the Materials Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Telecommunication Services ETF

## Investment Objective

Vanguard Telecommunication Services Index Fund seeks to track the performance of a benchmark index that measures the investment return of telecommunication services stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.18%
12b-1 Distribution Fee	None
Other Expenses	0.06%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Telecommunication Services ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Telecommunication Services ETF. This example assumes that Telecommunication Services ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 23% of the average value of its portfolio.

### Primary Investment Strategies

The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Telecommunication Services 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the telecommunication services sector, as classified under the Global Industry Classification Standard (GICS). The GICS telecommunication services sector is made up of companies that provide communication services primarily through fixed-line, cellular, wireless, high-bandwidth, and/or fiber-optic cable networks.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in

the telecommunication services sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the telecommunication services sector could be affected by, among other things, overall economic conditions, supply and demand, competition, and government regulation.

- *Nondiversification risk*, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.
- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

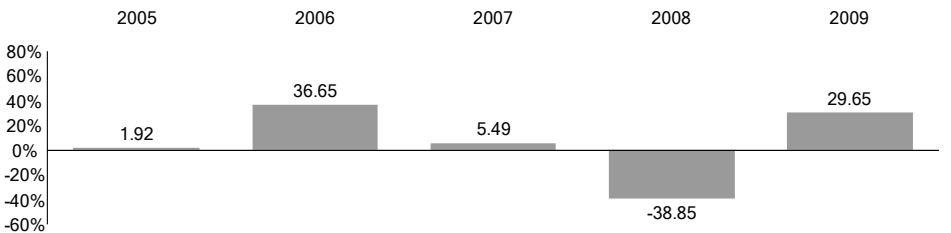
- Telecommunication Services ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Telecommunication Services ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Telecommunication Services ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Telecommunication Services ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Telecommunication Services ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Telecommunication Services ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

## Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Telecommunication Services 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual Returns table the MSCI US Investable Market Telecommunication Services 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns—ETF Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 11.07%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 14.82% (quarter ended March 31, 2006), and the lowest return for a quarter was -17.85% (quarter ended March 31, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Sep. 23, 2004)
<b>Vanguard Telecommunication Services Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	29.65%	3.10%	5.14%
Return After Taxes on Distributions	29.14	2.72	4.75
Return After Taxes on Distributions and Sale of Fund Shares	19.95	2.65	4.42
<i>Based on Market Price</i>			
Return Before Taxes	29.41	3.11	5.14
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Telecom Services Index	12.56%	2.24%	3.71%
Spliced US IMI Telecom Serv 25/50 Index	12.56	2.24	3.71

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### Portfolio Manager

Ryan E. Ludt, Principal of Vanguard. He has managed the Telecommunication Services Index Fund since its inception in 2004.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Vanguard Utilities ETF

## Investment Objective

Vanguard Utilities Index Fund seeks to track the performance of a benchmark index that measures the investment return of utilities stocks.

## Fees and Expenses

The following tables describe the fees and expenses you may pay if you buy and hold ETF Shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Transaction Fee on Purchases and Sales	None through Vanguard (Broker fees vary)
Transaction Fee on Reinvested Dividends	None through Vanguard (Broker fees vary)
Transaction Fee on Conversion to ETF Shares	None through Vanguard (Broker fees vary)

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Expenses	0.19%
12b-1 Distribution Fee	None
Other Expenses	0.05%
Total Annual Fund Operating Expenses	0.24%

### Example

The following example is intended to help you compare the cost of investing in Utilities ETF with the cost of investing in other funds. It illustrates the hypothetical expenses that you would incur over various periods if you invest \$10,000 in Utilities ETF. This example assumes that Utilities ETF Shares provide a return of 5% a year and that operating expenses remain as stated in the preceding table. The results apply whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$25	\$77	\$135	\$306

This example does not include the brokerage commissions that you may pay to buy and sell ETF Shares of the Fund.

### Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the previous expense example, reduce the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 8%.

### Primary Investment Strategies

The Fund employs a “passive management” —or indexing—investment approach designed to track the performance of the MSCI® US Investable Market Utilities 25/50 Index, an index made up of stocks of large, medium-size, and small U.S. companies within the utilities sector, as classified under the Global Industry Classification Standard (GICS). The GICS utilities sector is made up of electric, gas, and water utility companies, as well as companies that operate as independent producers and/or distributors of power. The sector includes both nuclear and nonnuclear facilities.

The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### Primary Risks

An investment in the Fund could lose money over short or even long periods. You should expect the Fund’s share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund’s performance could be hurt by:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because the Fund invests all, or substantially all, of its assets in the utilities sector, the Fund’s performance largely depends—for better or for worse—on the general condition of that sector. Companies in the utilities sector could be affected by government regulation, overall economic conditions, and fuel prices.
- *Nondiversification risk*, which is the chance that the Fund’s performance may be hurt disproportionately by the poor performance of relatively few stocks or even a

single stock. The Fund is considered nondiversified, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because the Fund tends to invest a relatively high percentage of its assets in its ten largest holdings, and in its single largest holding, nondiversification risk is high for the Fund.

- *Investment style risk*, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

- Utilities ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Utilities ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy Utilities ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Utilities ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Utilities ETF Shares on NYSE Arca may be halted by the activation of individual or marketwide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Utilities ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

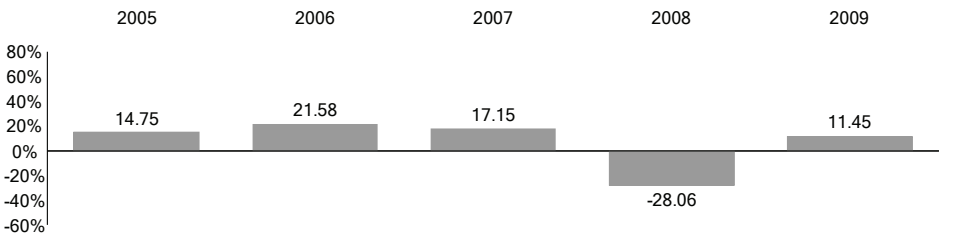
**An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

### **Annual Total Returns**

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund's ETF Shares (based on NAV) has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the ETF Shares compare with those of relevant market indexes. As of December 28, 2009, the Fund's benchmark was changed to the MSCI US Investable Market Utilities 25/50 Index. This index is expected to be a more suitable index because it allows the Fund to better achieve its objective of tracking its target index while continuing to provide exposure to its relevant market sector. During the periods covered in the Average Annual

Returns table the MSCI US Investable Market Utilities 25/50 Index was not yet in operation. Keep in mind that the Fund's past performance (before and after taxes) does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

**Annual Total Returns—ETF Shares<sup>1</sup>**



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2010, was 4.75%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 11.79% (quarter ended December 31, 2004), and the lowest return for a quarter was -17.44% (quarter ended September 30, 2008).

## Average Annual Total Returns for Periods Ended December 31, 2009

	1 Year	5 Years	Since Inception (Jan. 26, 2004)
<b>Vanguard Utilities Index Fund ETF Shares</b>			
<i>Based on NAV</i>			
Return Before Taxes	11.45%	5.55%	8.06%
Return After Taxes on Distributions	10.76	5.05	7.56
Return After Taxes on Distributions and Sale of Fund Shares	8.21	4.77	7.00
<i>Based on Market Price</i>			
Return Before Taxes	11.41	5.54	8.06
<b>Comparative Indexes</b> (reflect no deduction for fees, expenses, or taxes)			
MSCI US IMI/Utilities Index	11.70%	5.76%	8.29%
Spliced US IMI Utilities 25/50 Index	11.70	5.76	8.29

Actual after-tax returns depend on your tax situation and may differ from those shown in the preceding table. When after-tax returns are calculated, it is assumed that the shareholder was in the highest individual federal marginal income tax bracket at the time of each distribution of income or capital gains or upon redemption. State and local income taxes are not reflected in the calculations. Please note that after-tax returns are not relevant for a shareholder who holds fund shares in a tax-deferred account, such as an individual retirement account or a 401(k) plan. Also, figures captioned *Return After Taxes on Distributions and Sale of Fund Shares* will be higher than other figures for the same period if a capital loss occurs upon redemption and results in an assumed tax deduction for the shareholder.

## **Investment Advisor**

The Vanguard Group, Inc.

### Portfolio Manager

Michael D. Eyre, CFA, CPA, Portfolio Manager. He has managed the Utilities Index Fund since 2010.

## **Purchase and Sale of Fund Shares**

You can buy and sell ETF Shares of the Fund through a brokerage firm. The firm may charge you a commission to execute the transaction. Unless imposed by your brokerage firm, there is no minimum dollar amount you must invest and no minimum number of shares you must buy. The price you pay or receive for ETF Shares will be the prevailing market price, which may be more or less than the NAV of the shares.

ETF Shares of the Fund cannot be purchased or redeemed directly with the Fund, except by certain authorized broker-dealers. These broker-dealers may purchase and redeem ETF Shares only in large blocks (Creation Units) worth several million dollars, and only in exchange for baskets of securities rather than cash. For this Fund, the number of ETF Shares in a Creation Unit is 100,000.

## **Tax Information**

The Fund's distributions may be taxable as ordinary income or capital gain. A sale of ETF Shares is a taxable event, which means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your federal income tax return. Dividend and capital gain distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may also be subject to state and local income taxes.

## **Payments to Financial Intermediaries**

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Investing in Vanguard ETF® Shares

## What Are Vanguard ETF Shares?

Vanguard ETF Shares are an exchange-traded class of shares issued by certain Vanguard mutual funds. ETF Shares represent an interest in the portfolio of stocks or bonds held by the issuing fund. The following ETF Shares are offered through this prospectus:

Fund	ETF Shares
Vanguard Consumer Discretionary Index Fund	Vanguard Consumer Discretionary ETF
Vanguard Consumer Staples Index Fund	Vanguard Consumer Staples ETF
Vanguard Energy Index Fund	Vanguard Energy ETF
Vanguard Financials Index Fund	Vanguard Financials ETF
Vanguard Health Care Index Fund	Vanguard Health Care ETF
Vanguard Industrials Index Fund	Vanguard Industrials ETF
Vanguard Information Technology Index Fund	Vanguard Information Technology ETF
Vanguard Materials Index Fund	Vanguard Materials ETF
Vanguard Telecommunication Services Index Fund	Vanguard Telecommunication Services ETF
Vanguard Utilities Index Fund	Vanguard Utilities ETF

In addition to ETF Shares, each Fund offers one conventional (not exchange-traded) class of shares. This prospectus, however, relates only to ETF Shares.

## How Are Vanguard ETF Shares Different From Conventional Mutual Fund Shares?

Conventional mutual fund shares are bought from and redeemed with the issuing fund for cash at the net asset value (NAV), typically calculated once a day. ETF Shares, by contrast, cannot be purchased from or redeemed with the issuing fund by an individual investor.

An organized secondary trading market is expected to exist for ETF Shares, unlike conventional mutual fund shares, because ETF Shares are listed for trading on a national securities exchange. Investors can purchase and sell ETF Shares on the secondary market through a broker. Secondary-market transactions occur not at NAV, but at market prices that change throughout the day, based on the supply of, and demand for, ETF Shares and on changes in the prices of the fund's portfolio holdings.

The market price of a fund's ETF Shares typically will differ somewhat from the NAV of those shares. The difference between market price and NAV is expected to be small most of the time, but in times of extreme market volatility the difference may become significant.

## How Do I Buy and Sell Vanguard ETF Shares?

Individual investors can purchase ETF Shares on the secondary market through a broker. When you buy or sell ETF Shares, your broker may charge a commission. You will also incur the cost of the “bid-asked spread,” which is the difference between the price a dealer will pay for a security and the somewhat higher price at which the dealer will sell the same security. In addition, because secondary-market transactions occur at market prices, you may pay more or less than NAV when you buy ETF Shares, and receive more or less than NAV when you sell those shares.

Your ownership of ETF Shares will be shown on the records of the broker through which you hold the shares. Vanguard will not have any record of your ownership. Your account information will be maintained by your broker, which will provide you with account statements, confirmations of your purchases and sales of ETF Shares, and tax information. Your broker also will be responsible for distributing income and capital gains distributions and for ensuring that you receive shareholder reports and other communications from the fund whose ETF Shares you own. You will receive other services (e.g., dividend reinvestment and average cost information) only if your broker offers these services.


## What does the “25/50” in the name of the index mean?

To qualify for favorable tax treatment under the Internal Revenue Code (Code), an investment company must, among other things, meet certain diversification standards under the Code. Those standards require an investment company to invest no more than 25% of its assets in any one security and at least 50% in securities that each represent no more than 5% of the fund’s assets. The 25/50 in the name of the index denotes that the index’s construction rules take into account the diversification standards for investment companies covered under the Code.

The 25/50 indexes were adopted by the Sector Index Funds on February 26, 2010. Prior to that date, some of the Funds’ former indexes became so concentrated that funds replicating them would have failed the Code’s diversification standards. To ensure that this did not happen, some of the Funds’ portfolios differed significantly from the composition of the target indexes, leading to considerable tracking error. By adopting the 25/50 indexes, the Funds can better achieve their objectives of tracking their target indexes while continuing to provide exposure to the relevant market sectors.

Note that although the Sector Index Funds continue to comply with the diversification standards of the Code, each Fund still invests a high percentage of assets in a small number of issuers and thus will not comply with the diversification standards of the Investment Company Act of 1940. Consequently, each of the Funds is subject to *nondiversification risk*, which is the chance that a Fund’s performance may be hurt disproportionately by poor performance of relatively few stocks or even a single stock.

## More on the Funds and ETF Shares

This prospectus describes the primary risks you would face as a Fund shareholder. It is important to keep in mind one of the main axioms of investing: The higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: The lower the risk, the lower the potential reward. As you consider an investment in any mutual fund, you should take into account your personal tolerance for fluctuations in the securities markets. When considering an investment in sector mutual funds, you should be aware that fluctuations in specific market sectors are often more extreme than fluctuations in the overall securities markets. Look for this  symbol throughout the prospectus. It is used to mark detailed information about the more significant risks that you would confront as a Fund shareholder. To highlight terms and concepts important to mutual fund investors, we have provided Plain Talk<sup>®</sup> explanations along the way. Reading the prospectus will help you decide whether a Fund is the right investment for you. We suggest that you keep this prospectus for future reference.

### Share Class Overview

This prospectus offers the Funds' ETF Shares, an exchange-traded class of shares. A separate prospectus offers the Funds' Admiral Shares, which are generally for investors who do not require special employee benefit plan services and invest a minimum of \$100,000.

Both share classes offered by a Fund have the same investment objective, strategies, and policies. However, different share classes have different expenses; as a result, their investment performances will differ.

### A Note to Investors

Vanguard ETF Shares can be purchased directly from the issuing Fund only in exchange for a basket of securities that is expected to be worth several million dollars. Most individual investors, therefore, will not be able to purchase ETF Shares directly from the Fund. Instead, these investors will purchase ETF Shares on the secondary market with the assistance of a broker.


#### Plain Talk About Costs of Investing


Costs are an important consideration in choosing a mutual fund. That's because you, as a shareholder, pay a proportionate share of the costs of operating a fund, plus any transaction costs incurred when the fund buys or sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation a fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a fund's performance.

The following sections explain the primary investment strategies and policies that each Fund uses in pursuit of its objective. The Fund's board of trustees, which oversees each Fund's management, may change investment strategies or policies in the interest of shareholders without a shareholder vote, unless those strategies or policies are designated as fundamental. Note that each Fund's investment objective is not fundamental and may be changed without a shareholder vote. Under normal circumstances, each Fund will invest at least 80% of its assets in the stocks that make up its target index. This policy may be changed only upon 60 days' notice to shareholders.

## Market Exposure

The Funds invest mainly in common stocks of companies within designated market sectors. As a result, the Funds are subject to certain risks.

 *Each Fund is subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.*

 *Each Fund is subject to sector risk, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Because each Fund invests all, or substantially all, of its assets in a specific sector, the Fund's performance largely depends—for better or for worse—on the general condition of that sector.*

A variety of circumstances and events can affect the overall performance of a given market sector. In addition, a sector's sensitivity to specific factors tends to change over time, so it is impossible to identify in advance the exact circumstances and events that will be most important to the future performance of that sector. Examples of factors that have proven important to the *past* performance of each Fund's targeted market sector are shown in the following table.

## Sectors and Key Past Performance Factors

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### **Consumer Discretionary Sector:**

Overall economic conditions, interest rates, consumer confidence, and disposable income.

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### **Consumer Staples Sector:**

Consumer tastes, government regulation, marketing, and consumer confidence.

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### **Energy Sector:**

Geopolitical events, government regulation, economic cycles, and fuel prices.

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### **Financials Sector:**

Government regulation, interest rates, cost of capital funds, credit losses, and financial markets.

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### **Health Care Sector:**

Patent protection, government regulation, research and development costs, litigation, and competitive forces.

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### **Industrials Sector:**

Government regulation, world events and economic conditions, insurance costs, and labor relations.

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### **Information Technology Sector:**

Overall economic conditions, short product cycles, rapid obsolescence of products, competition, and government regulation.

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### **Materials Sector:**

Commodity prices, government regulation, inflation expectations, resource availability, and economic cycles.

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### **Telecommunication Services Sector:**

Overall economic conditions, competition, and government regulation.

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### **Utilities Sector:**

Government regulation, overall economic conditions, and fuel prices.

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Each Fund invests across large-, mid-, and small-capitalization stocks, depending on the composition of its target index. The chart that follows provides a market capitalization breakdown for each Index as of August 31, 2010. For purposes of this chart, we have used market-capitalization ranges determined by Frank Russell Company. It's important to understand that, for both companies and stock funds, market-capitalization ranges change over time. Also, interpretations of size vary, and there are no "official" definitions of large-, mid-, and small-cap, even among Vanguard fund advisors.


Target Index	Large-Cap >\$16.2 billion	Mid-Cap \$1.8 – \$16.2 billion	Small-Cap <\$1.8 billion
Consumer Discretionary	48.48%	40.83%	10.69%
Consumer Staples	71.79	23.13	5.08
Energy	67.54	25.75	6.71
Financials	53.94	36.51	9.55
Health Care	65.60	26.64	7.76
Industrials	54.53	33.78	11.68
Information Technology	64.94	25.86	9.20
Materials	40.77	49.49	9.74
Telecommunication Services	49.57	34.03	16.39
Utilities	34.86	58.61	6.53

## Security Selection


Each Fund attempts to track the investment performance of a benchmark index that measures the return of a particular market sector. Each Fund uses the *replication method* of indexing, meaning that it generally holds the same stocks as its target index, and in approximately the same proportions.

The following table shows the number of stocks in each Fund's target index as of August 31, 2010, along with the percentage of each index represented by its top ten holdings as of the same date.

Fund	Number of Stocks in Target Index	Percentage of Index Holdings in Top 10 Stocks
Vanguard Consumer Discretionary Index Fund	375	34.17%
Vanguard Consumer Staples Index Fund	113	62.75
Vanguard Energy Index Fund	160	61.69
Vanguard Financials Index Fund	489	39.31
Vanguard Health Care Index Fund	300	51.09
Vanguard Industrials Index Fund	372	40.73
Vanguard Information Technology Index Fund	419	53.15
Vanguard Materials Index Fund	130	49.42
Vanguard Telecommunication Services Index Fund	38	75.42
Vanguard Utilities Index Fund	89	44.52

 ***Each Fund is subject to nondiversification risk, which is the chance that the Fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock.***


Each Fund is considered nondiversified under the Investment Company Act of 1940, which means that it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds. Because each Fund tends to invest a high percentage of its assets in its ten largest holdings and in its single largest holding, nondiversification risk is high for the Funds.

 ***Each Fund is subject to investment style risk, which is the chance that returns from small- and mid-cap stocks (to the extent that the Fund's assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.***

### **Other Investment Policies and Risks**

Each Fund reserves the right to substitute a different index for the index it currently tracks if the current index is discontinued, if the Fund's agreement with the sponsor of its target index is terminated, or for any other reason determined in good faith by the Fund's board of trustees. In any such instance, the substitute index would measure the same market segment as the current index.

Each Fund may invest in foreign securities to the extent necessary to carry out its investment strategy of holding all, or substantially all of the stocks that make up the index it tracks. It is not expected that any Fund will invest more than 5% of its assets in foreign securities.

 ***Each Fund may invest in derivatives. In general, derivatives may involve risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.***

To track their target indexes as closely as possible, the Funds attempt to remain fully invested in stocks. To help stay fully invested and to reduce transaction costs, the Funds may invest, to a limited extent, in stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives.

Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, bond, or currency), a physical asset (such as gold, oil, or wheat), or a market index (such as the S&P 500® Index). Investments in derivatives may subject a Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Losses (or gains) involving futures can sometimes be substantial—in part because a relatively small price

movement in a futures contract may result in an immediate and substantial loss (or gain) for a fund. Similar risks exist for warrants (securities that permit their owners to purchase a specific number of stock shares at a predetermined price), convertible securities (securities that may be exchanged for another asset), and swap agreements (contracts between parties in which each agrees to make payments to the other based on the return of a specified index or asset).

The Funds will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns. In addition, each Fund's obligation under futures contracts will not exceed 20% of its total assets.

The reasons for which a Fund may invest in futures and options include:

- To keep cash on hand to meet shareholder redemptions or other needs while simulating full investment in stocks.
- To reduce the Fund's transaction costs or add value when these instruments are favorably priced.

### Plain Talk About Derivatives

Derivatives can take many forms. Some forms of derivatives, such as exchange-traded futures and options on securities, commodities, or indexes, have been trading on regulated exchanges for decades. These types of derivatives are standardized contracts that can easily be bought and sold, and whose market values are determined and published daily. Nonstandardized derivatives (such as swap agreements and forward currency contracts), on the other hand, tend to be more specialized or complex, and may be harder to value.


### Cash Management


Each Fund's daily cash balance may be invested in one or more Vanguard CMT Funds, which are very low-cost money market funds. When investing in a Vanguard CMT Fund, each Fund bears its proportionate share of the at-cost expenses of the CMT Fund in which it invests.

### Temporary Investment Measures

Each Fund may temporarily depart from its normal investment policies and strategies when doing so is believed to be in the Fund's best interest, so long as the alternative is consistent with the Fund's investment objective. For instance, the Fund may invest beyond the normal limits in derivatives or ETFs that are consistent with the Fund's objective when those instruments are more favorably priced or provide needed liquidity, as might be the case when the Fund receives large cash flows that it cannot prudently invest immediately.


## Special Risks of Exchange-Traded Shares


 **ETF Shares are not individually redeemable.** They can be redeemed with the issuing Fund at NAV only in large blocks known as Creation Units, which would cost millions of dollars to assemble.

 **The market price of ETF Shares may differ from NAV.** Vanguard ETF Shares are listed for trading on a national securities exchange and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF Share typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more or less than NAV when you buy ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.

*The market price of ETF Shares, like the price of any exchange-traded security, includes a “bid-asked spread” charged by the exchange specialist and other market-makers that cover the particular security. In times of severe market disruption, the bid-asked spread can increase significantly. This means that ETF Shares are most likely to be traded at a discount to NAV, and the discount is likely to be greatest, when the price of ETF Shares is falling fastest—and this may be the time that you most want to sell ETF Shares.*

Vanguard’s website at [Vanguard.com](http://Vanguard.com) shows the previous day’s closing NAV and closing market price for each Fund’s ETF Shares. The website also discloses, in the **Premium/Discount Analysis** section of the ETF Shares’ Performance page, how frequently each Fund’s ETF Shares traded at a premium or discount to NAV (based on closing NAVs and market prices) and the magnitudes of such premiums and discounts.

 **An active trading market may not exist.** Although Vanguard ETF Shares are listed on a national securities exchange, it is possible that an active trading market may not be maintained.

 **Trading may be halted.** Trading of Vanguard ETF Shares on an exchange may be halted by the activation of individual or marketwide “circuit breakers” (which require a halt in trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of ETF Shares may also be halted if (1) the shares are delisted from the listing exchange without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

## **Purchasing and Selling Vanguard ETF Shares on the Secondary Market**

You can buy and sell ETF Shares on the secondary market in the same way you buy and sell any other exchange-traded security—through a broker. The broker may charge you a commission to execute the transaction. The price at which you buy or sell ETF Shares (i.e., the market price) may be more or less than the NAV of the shares. Unless imposed by your broker, there is no minimum dollar amount you must invest and no minimum number of ETF Shares you must buy.

## **Conversion Privilege**

Owners of conventional shares issued by a Fund may convert those shares to ETF Shares of equivalent value of the same fund. *Please note that investors who own conventional shares through a 401(k) plan or other employer-sponsored retirement or benefit plan may not convert those shares to ETF Shares.* Vanguard Brokerage Services® (Vanguard Brokerage) does not impose a fee on conversions from Vanguard conventional shares to Vanguard ETF Shares. However, other brokerage firms may charge a fee to process a conversion. Vanguard reserves the right, in the future, to impose a transaction fee on conversions or to limit or terminate the conversion privilege. ETF Shares, whether acquired through a conversion or purchased on the secondary market, cannot be converted to conventional shares. Similarly, ETF Shares of one fund cannot be exchanged for ETF Shares of another fund.

You must hold ETF Shares in a brokerage account. Thus, before converting conventional shares to ETF Shares, you must have an existing, or open a new, brokerage account. To initiate a conversion of conventional shares to ETF Shares, please contact your broker.

Converting conventional shares to ETF Shares generally is accomplished as follows. First, after your broker notifies Vanguard of your request to convert, Vanguard will transfer your conventional shares from your account to the broker's omnibus account with Vanguard (an account maintained by the broker on behalf of all its customers who hold conventional Vanguard fund shares through the broker). After the transfer, Vanguard's records will reflect your broker, not you, as the owner of the shares. Next, your broker will instruct Vanguard to convert the appropriate number or dollar amount of conventional shares in its omnibus account to ETF Shares of equivalent value, based on the respective NAVs of the two share classes.

Your Fund's transfer agent will reflect ownership of all ETF Shares in the name of the Depository Trust Company (DTC). The DTC will keep track of which ETF Shares belong to your broker, and your broker, in turn, will keep track of which ETF Shares belong to you.

Because the DTC is unable to handle fractional shares, only whole shares will be converted. For example, if you owned 300.250 conventional shares, and this was equivalent in value to 90.750 ETF Shares, the DTC account would receive 90 ETF

Shares. Conventional shares worth 0.750 ETF Shares (in this example, that would be 2.481 conventional shares) would remain in the broker's omnibus account with Vanguard. Your broker then could either (1) credit your account with 0.750 ETF Shares rather than 2.481 conventional shares, or (2) redeem the 2.481 conventional shares at NAV, in which case you would receive cash in place of those shares. If your broker chooses to redeem your conventional shares, you will realize a gain or loss on the redemption that must be reported on your tax return (unless you hold the shares in an IRA or other tax-deferred account). Please consult your broker for information on how it will handle the conversion process, including whether it will impose a fee to process a conversion.

If you convert your conventional shares to ETF Shares through Vanguard Brokerage, *all* conventional shares for which you request conversion will be converted to ETF Shares of equivalent value. Because no fractional shares will have to be sold, the transaction will be 100% tax-free.

Here are some important points to keep in mind when converting conventional shares of a Vanguard fund to ETF Shares:

- The conversion process can take anywhere from several days to several weeks, depending on your broker. Vanguard generally will process conversion requests either on the day they are received or on the next business day. Vanguard imposes conversion blackout windows around the dates when a fund with ETF Shares declares dividends. This is necessary to prevent a shareholder from collecting a dividend from both the conventional share class currently held and also from the ETF share class to which the shares will be converted.
- Until the conversion process is complete, you will remain fully invested in a fund's conventional shares, and your investment will increase or decrease in value in tandem with the NAV of those shares.
- The conversion transaction is nontaxable except, if applicable, to the very limited extent previously described.
- If you have used the average cost basis method of accounting for your conventional mutual fund shares prior to converting them to ETF Shares, you are required to maintain the average cost basis method of accounting for your converted ETF Shares, unless you first obtain permission from the IRS to use a different method. However, since January 1, 2010, any new ETF Shares that you purchase into your account may be eligible for another IRS-approved method. Please contact your tax advisor to discuss your specific situation.

**A precautionary note to investment companies:** For purposes of the Investment Company Act of 1940, Vanguard ETF Shares are issued by registered investment companies, and the acquisition of such shares by other investment companies is subject to the restrictions of Section 12(d)(1) of that Act, except as permitted by an SEC

exemptive order that allows registered investment companies to invest in the issuing funds beyond the limits of Section 12(d)(1), subject to certain terms and conditions.

### **Frequent Trading and Market-Timing**

Unlike frequent trading of a Vanguard fund's conventional (i.e., not exchange-traded) classes of shares, frequent trading of ETF Shares does not disrupt portfolio management, increase the fund's trading costs, lead to realization of capital gains by the fund, or otherwise harm fund shareholders. The vast majority of trading in ETF Shares occurs on the secondary market. Because these trades do not involve the issuing fund, they do not harm the fund or its shareholders. A few institutional investors are authorized to purchase and redeem ETF Shares directly with the issuing fund. Because these trades are effected in-kind (i.e., for securities and not for cash), they do not cause any of the harmful effects to the issuing fund (as previously noted) that may result from frequent cash trades. For these reasons, the board of trustees of each fund that issues ETF Shares has determined that it is not necessary to adopt policies and procedures to detect and deter frequent trading and market-timing of ETF Shares. The broker through which you hold your ETF Shares, however, may place certain limits on your ability to purchase and/or sell ETF Shares over any given period.

### **Portfolio Holdings**

We generally post on our website at *Vanguard.com*, in the **Portfolio** section of each Fund's Portfolio & Management page, a detailed list of the securities held by the Fund as of the end of the most recent calendar quarter. This list is generally updated within 30 days after the end of each calendar quarter. Vanguard may exclude any portion of these portfolio holdings from publication when deemed in the best interest of the Fund. We also generally post the ten largest stock portfolio holdings of the Fund and the percentage of the Fund's total assets that each of these holdings represents, as of the end of the most recent calendar quarter. This list is generally updated within 15 calendar days after the end of each calendar quarter. Please consult the Fund's *Statement of Additional Information* or our website for a description of the policies and procedures that govern disclosure of the Fund's portfolio holdings.

### **Turnover Rate**

Although the Funds normally seek to invest for the long term, each Fund may sell securities regardless of how long they have been held. Generally, an index fund sells securities only in response to redemption requests or to adjust the number of shares held to reflect a change in the fund's target index. Turnover rates for large-cap stock index funds tend to be very low because large-cap indexes typically do not change much from year to year. Turnover rates for mid-cap and small-cap stock index funds tend to be higher (although still relatively low, compared with actively managed stock funds) because the indexes they track are the most likely to change as a result of

companies merging, growing, or failing. The **Financial Highlights** section of this prospectus shows historical turnover rates for the Funds. A turnover rate of 100%, for example, would mean that a Fund had sold and replaced securities valued at 100% of its net assets within a one-year period. The average turnover rate for domestic stock funds was approximately 100% as reported by Morningstar, Inc., on August 31, 2010.

### Plain Talk About Turnover Rate

Before investing in a mutual fund, you should review its turnover rate. This gives an indication of how transaction costs, which are not included in the fund's expense ratio, could affect the fund's future returns. In general, the greater the volume of buying and selling by the fund, the greater the impact that brokerage commissions and other transaction costs will have on its return. Also, funds with high turnover rates may be more likely to generate capital gains that must be distributed to shareholders as taxable income.

## The Funds and Vanguard

Each Fund is a member of The Vanguard Group, a family of 37 investment companies with more than 170 funds holding assets of approximately \$1.3 trillion. All of the funds that are members of The Vanguard Group (other than funds of funds) share in the expenses associated with administrative services and business operations, such as personnel, office space, equipment, and advertising.

Vanguard also provides marketing services to the funds. Although shareholders do not pay sales commissions or 12b-1 distribution fees, each fund (other than a fund of funds) or each share class of a fund (in the case of a fund with multiple share classes) pays its allocated share of The Vanguard Group's marketing costs.

### Plain Talk About Vanguard's Unique Corporate Structure

The Vanguard Group is truly a *mutual* mutual fund company. It is owned jointly by the funds it oversees and thus indirectly by the shareholders in those funds. Most other mutual funds are operated by management companies that may be owned by one person, by a private group of individuals, or by public investors who own the management company's stock. The management fees charged by these companies include a profit component over and above the companies' cost of providing services. By contrast, Vanguard provides services to its member funds on an at-cost basis, with no profit component, which helps to keep the funds' expenses low.

## Investment Advisor

The Vanguard Group, Inc. (Vanguard), P.O. Box 2600, Valley Forge, PA 19482, which began operations in 1975, serves as advisor to the Funds through its Quantitative Equity Group. As of August 31, 2010, Vanguard served as advisor for approximately \$1.2 trillion in assets. Vanguard manages the Funds on an at-cost basis, subject to the supervision and oversight of the trustees and officers of the Funds.

For the fiscal year ended August 31, 2010, the advisory expenses represented an effective annual rate of 0.01% of each Fund's average net assets.

For a discussion of why the board of trustees approved each Fund's investment advisory arrangements, see the most recent annual report to shareholders covering the fiscal year ended August 31.

Vanguard's Quantitative Equity Group is overseen by:

**George U. Sauter**, Chief Investment Officer and Managing Director of Vanguard. As Chief Investment Officer, he is responsible for the oversight of Vanguard's Quantitative Equity and Fixed Income Groups. The investments managed by these two groups include active quantitative equity funds, equity index funds, active bond funds, index bond funds, stable value portfolios, and money market funds. Since joining Vanguard in 1987, Mr. Sauter has been a key contributor to the development of Vanguard's stock indexing and active quantitative equity investment strategies. He received his A.B. in Economics from Dartmouth College and an M.B.A. in Finance from the University of Chicago.

**Sandip A. Bhagat**, CFA, Principal of Vanguard and head of Vanguard's Quantitative Equity Group. He has oversight responsibility for all active quantitative equity funds and all equity index funds managed by the Quantitative Equity Group. He has managed investment portfolios since 1987 and has been with Vanguard since 2009. He received his B.S. in Chemical Engineering from the University of Bombay, India, and an M.S. in Chemical Engineering and an M.B.A. from the University of Connecticut.

The managers primarily responsible for the day-to-day management of the Funds are:

**Michael D. Eyre**, CFA, CPA, Portfolio Manager. He has been with Vanguard since 2002; has worked in investment management since 2006; and has managed investment portfolios, including the Materials Index and Utilities Index Funds, since 2010. Education: B.S., Villanova University.

**Michael A. Johnson**, Portfolio Manager. He has been with Vanguard since 1999; has worked in investment management since 2007; and has managed investment portfolios, including the Consumer Discretionary Index and Consumer Staples Index Funds, since 2010. Education: B.S.B.A., Shippensburg University

**Ryan E. Ludt**, Principal of Vanguard. He has been with Vanguard since 1997; has managed investment portfolios since 2000; and has managed the Health Care Index and Telecommunications Services Index Funds since their inceptions in 2004. Education: B.S., The Pennsylvania State University.

**Jeffrey D. Miller**, Portfolio Manager. He has been with Vanguard since 1999; has worked in investment management since 2007; and has managed investment portfolios, including the Energy Index, Financials Index, Industrials Index, and Information Technology Index Funds, since 2010. Education: B.A., The Pennsylvania State University; M.B.A., Drexel University.

The *Statement of Additional Information* provides information about each portfolio manager's compensation, other accounts under management, and ownership of shares of the Funds.

## Dividends, Capital Gains, and Taxes

### Fund Distributions

Each Fund distributes to shareholders virtually all of its net income (interest and dividends, less expenses) as well as any net capital gains realized from the sale of its holdings. Income dividends for the Financials and Utilities Index Funds generally are distributed quarterly in March, June, September, and December; income dividends for the Consumer Discretionary, Consumer Staples, Energy, Health Care, Industrials, Information Technology, Materials, and Telecommunication Services Index Funds generally are distributed annually in December. Capital gains distributions generally occur annually in December.

#### Plain Talk About Distributions

As a shareholder, you are entitled to your portion of a fund's income from interest and dividends as well as capital gains from the fund's sale of investments. Income consists of both the dividends that the fund earns from any stock holdings and the interest it receives from any money market and bond investments. Capital gains are realized whenever the fund sells securities for higher prices than it paid for them. These capital gains are either short-term or long-term, depending on whether the fund held the securities for one year or less or for more than one year.

### Reinvestment of Distributions

In order to reinvest dividend and capital gains distributions, investors in a Fund's ETF Shares must hold their shares at a broker that offers a reinvestment service (either the broker's own service or a service made available by a third party, such as the broker's outside clearing firm or the Depository Trust Company (DTC)). If a reinvestment

service is available, distributions of income and capital gains can automatically be reinvested in additional whole and fractional ETF Shares of the Fund. If a reinvestment service is not available, investors would receive their distributions in cash. To determine whether a reinvestment service is available and whether there is a commission or other charge for using this service, consult your broker.

As with all exchange-traded funds, reinvestment of dividend and capital gains distributions in additional ETF Shares will occur four business days or more after the ex-dividend date (the date when a distribution of dividends or capital gains is deducted from the price of a Fund's shares). The exact number of days depends on your broker. During that time, the amount of your distribution will not be invested in the Fund and therefore will not share in the Fund's income, gains, and losses.

### **Basic Tax Points**

Investors in taxable accounts should be aware of the following basic federal income tax points:

- Distributions are taxable to you whether or not you reinvest these amounts in additional ETF Shares.
- Distributions declared in December—if paid to you by the end of January—are taxable as if received in December.
- Any dividend and short-term capital gains distributions that you receive are taxable to you as ordinary income. If you are an individual and meet certain holding-period requirements with respect to your Fund shares, you may be eligible for reduced tax rates on "qualified dividend income," if any, distributed by the Fund.
- Any distributions of net long-term capital gains are taxable to you as long-term capital gains, no matter how long you've owned ETF Shares.
- Capital gains distributions may vary considerably from year to year as a result of the Funds' normal investment activities and cash flows.
- A sale of ETF Shares is a taxable event. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your tax return.

Dividend and capital gains distributions that you receive, as well as your gains or losses from any sale of ETF Shares, may be subject to state and local income taxes.

This prospectus provides general tax information only. If you are investing through a tax-deferred retirement account, such as an IRA, special tax rules apply. Please consult your tax advisor for detailed information about any tax consequences for you.

## Share Price and Market Price

Share price, also known as *net asset value* (NAV), is calculated each business day as of the close of regular trading on the New York Stock Exchange, generally 4 p.m., Eastern time. Each share class has its own NAV, which is computed by dividing the total assets, minus liabilities, allocated to each share class by the number of Fund shares outstanding for that class. On holidays or other days when the Exchange is closed, the NAV is not calculated, and the Fund does not transact purchase or redemption requests. However, on those days the value of the Fund's assets may be affected to the extent that the Fund holds foreign securities that trade on foreign markets that are open.

Remember: If you buy or sell ETF Shares on the secondary market, you will pay or receive the market price, which may be higher or lower than NAV. Your transaction will be priced at NAV only if you purchase or redeem your ETF Shares in Creation Unit blocks, or if you convert your conventional fund shares to ETF Shares.

Stocks held by a Vanguard fund are valued at their *market value* when reliable market quotations are readily available. Certain short-term debt instruments used to manage a fund's cash are valued on the basis of amortized cost. The values of any foreign securities held by a fund are converted into U.S. dollars using an exchange rate obtained from an independent third party. The values of any mutual fund shares held by a fund are based on the NAVs of the shares. The values of any ETF or closed-end fund shares held by a fund are based on the market value of the shares.

When a fund determines that market quotations either are not readily available or do not accurately reflect the value of a security, the security is priced at its *fair value* (the amount that the owner might reasonably expect to receive upon the current sale of the security). A fund also will use fair-value pricing if the value of a security it holds has been materially affected by events occurring before the fund's pricing time but after the close of the primary markets or exchanges on which the security is traded. This most commonly occurs with foreign securities, which may trade on foreign exchanges that close many hours before the fund's pricing time. Intervening events might be company-specific (e.g., earnings report, merger announcement); country-specific (e.g., natural disaster, economic or political news, act of terrorism, interest rate change); or global. Intervening events include price movements in U.S. markets that are deemed to affect the value of foreign securities. Fair-value pricing may be used for domestic securities—for example, if (1) trading in a security is halted and does not resume before the fund's pricing time or if a security does not trade in the course of a day, and (2) the fund holds enough of the security that its price could affect the NAV.

Fair-value prices are determined by Vanguard according to procedures adopted by the board of trustees. When fair-value pricing is employed, the prices of securities used

by a fund to calculate the NAV may differ from quoted or published prices for the same securities.

Vanguard's website will show the previous day's closing NAV and closing market price for each Fund's ETF Shares. The previous day's closing market price may also be published in the business section of major newspapers.

## Additional Information

Vanguard Fund	Inception Date	Suitable for IRAs	Vanguard Fund Number	CUSIP Number
<b>Consumer Discretionary ETF</b>	1/26/2004	Yes	954	92204A108
<b>Consumer Staples ETF</b>	1/26/2004	Yes	955	92204A207
<b>Energy ETF</b>	9/23/2004	Yes	951	92204A306
<b>Financials ETF</b>	1/26/2004	Yes	957	92204A405
<b>Health Care ETF</b>	1/26/2004	Yes	956	92204A504
<b>Industrials ETF</b>	9/23/2004	Yes	953	92204A603
<b>Information Technology ETF</b>	1/26/2004	Yes	958	92204A702
<b>Materials ETF</b>	1/26/2004	Yes	952	92204A801
<b>Telecommunication Services ETF</b>	9/23/2004	Yes	959	92204A884
<b>Utilities ETF</b>	1/26/2004	Yes	960	92204A876

## Financial Highlights

The following financial highlights tables are intended to help you understand the ETF Shares' financial performance for the periods shown, and certain information reflects financial results for a single ETF Share. The total returns in each table represent the rate that an investor would have earned or lost each period on an investment in the ETF Shares (assuming reinvestment of all distributions). This information has been obtained from the financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report—along with each Fund's financial statements—are included in the Funds' most recent annual report to shareholders. You may obtain a free copy of the latest annual or semiannual report online at *Vanguard.com* or by contacting Vanguard by telephone or mail.

### Plain Talk About How to Read the Financial Highlights Tables

This explanation uses the Consumer Discretionary Fund's ETF Shares as an example. The ETF Shares began fiscal year 2010 with a net asset value (price) of \$41.37 per share. During the year, each ETF Share earned \$0.581 from investment income (interest and dividends) and \$6.286 from investments that had appreciated in value or that were sold for higher prices than the Fund paid for them.

Shareholders received \$0.437 per share in the form of dividend distributions. A portion of each year's distributions may come from the prior year's income or capital gains.

The share price at the end of the year was \$47.80, reflecting earnings of \$6.867 per share and distributions of \$0.437 per share. This was an increase of \$6.43 per share (from \$41.37 at the beginning of the year to \$47.80 at the end of the year). For a shareholder who reinvested the distributions in the purchase of more shares, the total return was 16.62% for the year.

As of August 31, 2010, the ETF Shares had approximately \$234 million in net assets. For the year, the expense ratio was 0.24% (\$2.40 per \$1,000 of net assets), and the net investment income amounted to 1.28% of average net assets. The Fund sold and replaced securities valued at 7% of its net assets.

## Consumer Discretionary ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$41.37</b>	<b>\$48.38</b>	<b>\$60.02</b>	<b>\$52.28</b>	<b>\$53.65</b>
<b>Investment Operations</b>					
Net Investment Income	.581	.764	.592 <sup>1</sup>	.450	.494 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments	6.286	(6.988)	(11.772)	7.760	(1.556)
<b>Total from Investment Operations</b>	<b>6.867</b>	<b>(6.224)</b>	<b>(11.180)</b>	<b>8.210</b>	<b>(1.062)</b>
<b>Distributions</b>					
Dividends from Net Investment Income	(.437)	(.786)	(.460)	(.470)	(.308)
Distributions from Realized Capital Gains	—	—	—	—	—
<b>Total Distributions</b>	<b>(.437)</b>	<b>(.786)</b>	<b>(.460)</b>	<b>(.470)</b>	<b>(.308)</b>
<b>Net Asset Value, End of Period</b>	<b>\$47.80</b>	<b>\$41.37</b>	<b>\$48.38</b>	<b>\$60.02</b>	<b>\$52.28</b>
<b>Total Return</b>	<b>16.62%</b>	<b>-12.32%</b>	<b>-18.70%</b>	<b>15.69%</b>	<b>-1.99%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$234	\$141	\$257	\$114	\$47
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	1.28%	1.61%	1.16%	0.89%	0.92%
Turnover Rate <sup>2</sup>	7%	5%	12%	8%	10%

1 Calculated based on average shares outstanding.

2 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Consumer Staples ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$62.07</b>	<b>\$69.04</b>	<b>\$67.35</b>	<b>\$61.94</b>	<b>\$56.03</b>
<b>Investment Operations</b>					
Net Investment Income	1.753 <sup>1</sup>	1.616 <sup>1</sup>	1.327 <sup>1</sup>	1.370	1.090 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments	4.635	(7.413)	1.522	5.000	5.523
Total from Investment Operations	6.388	(5.797)	2.849	6.370	6.613
<b>Distributions</b>					
Dividends from Net Investment Income	(1.738)	(1.173)	(1.159)	(.960)	(.703)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(1.738)	(1.173)	(1.159)	(.960)	(.703)
<b>Net Asset Value, End of Period</b>	<b>\$66.72</b>	<b>\$62.07</b>	<b>\$69.04</b>	<b>\$67.35</b>	<b>\$61.94</b>
<b>Total Return</b>	<b>10.33%</b>	<b>-8.22%</b>	<b>4.18%</b>	<b>10.38%</b>	<b>11.91%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$547	\$552	\$518	\$310	\$211
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	2.61%	2.80%	1.93%	2.20%	1.93%
Turnover Rate <sup>2</sup>	7%	17%	13%	12%	14%

<sup>1</sup> Calculated based on average shares outstanding.

<sup>2</sup> Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Energy ETF

	Year Ended Aug. 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$74.74</b>	<b>\$109.54</b>	<b>\$100.92</b>	<b>\$80.90</b>	<b>\$72.72</b>
<b>Investment Operations</b>					
Net Investment Income	1.312	1.191	1.059	1.080 <sup>1</sup>	.966 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments	.341	(34.808)	8.501	19.869	7.915
Total from Investment Operations	1.653	(33.617)	9.560	20.949	8.881
<b>Distributions</b>					
Dividends from Net Investment Income	(1.193)	(1.183)	(.940)	(.929)	(.701)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(1.193)	(1.183)	(.940)	(.929)	(.701)
<b>Net Asset Value, End of Period</b>	<b>\$75.20</b>	<b>\$74.74</b>	<b>\$109.54</b>	<b>\$100.92</b>	<b>\$80.90</b>
<b>Total Return</b>	<b>2.05%</b>	<b>-30.49%</b>	<b>9.47%</b>	<b>26.09%</b>	<b>12.31%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$1,041	\$869	\$845	\$656	\$340
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	1.71%	1.84%	1.04%	1.20%	1.23%
Turnover Rate <sup>2</sup>	16%	25%	11%	15%	21%

<sup>1</sup> Calculated based on average shares outstanding.

<sup>2</sup> Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Financials ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$29.38</b>	<b>\$40.66</b>	<b>\$60.04</b>	<b>\$59.57</b>	<b>\$52.57</b>
<b>Investment Operations</b>					
Net Investment Income	.417	.784	1.449 <sup>1</sup>	1.557 <sup>1</sup>	1.430 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments <sup>2</sup>	(1.425)	(11.150)	(19.368)	.282	6.800
Total from Investment Operations	(1.008)	(10.366)	(17.919)	1.839	8.230
<b>Distributions</b>					
Dividends from Net Investment Income	(.452)	(.914)	(1.461)	(1.369)	(1.230)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.452)	(.914)	(1.461)	(1.369)	(1.230)
<b>Net Asset Value, End of Period</b>	<b>\$27.92</b>	<b>\$29.38</b>	<b>\$40.66</b>	<b>\$60.04</b>	<b>\$59.57</b>
<b>Total Return</b>	<b>-3.51%</b>	<b>-25.31%</b>	<b>-30.30%</b>	<b>2.97%</b>	<b>15.82%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$464	\$580	\$651	\$282	\$125
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	1.36%	3.00%	3.11%	2.41%	2.52%
Turnover Rate <sup>3</sup>	11%	17%	10%	12%	6%

1 Calculated based on average shares outstanding.

2 Includes increases from redemption fees of \$0.01, \$0.02, \$0.01, \$0.01, and \$0.01.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Health Care ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$50.37</b>	<b>\$57.36</b>	<b>\$59.65</b>	<b>\$55.99</b>	<b>\$53.85</b>
<b>Investment Operations</b>					
Net Investment Income	1.483 <sup>1</sup>	.809	.720	.809	.622 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments	(.646)	(7.045)	(2.190)	3.466	1.905
Total from Investment Operations	.837	(6.236)	(1.470)	4.275	2.527
<b>Distributions</b>					
Dividends from Net Investment Income	(1.487)	(.754)	(.820)	(.615)	(.387)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(1.487)	(.754)	(.820)	(.615)	(.387)
<b>Net Asset Value, End of Period</b>	<b>\$49.72</b>	<b>\$50.37</b>	<b>\$57.36</b>	<b>\$59.65</b>	<b>\$55.99</b>
<b>Total Return</b>	<b>1.40%</b>	<b>-10.70%</b>	<b>-2.55%</b>	<b>7.69%</b>	<b>4.71%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$558	\$554	\$614	\$477	\$364
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	2.74% <sup>1</sup>	1.78%	1.41%	1.46%	1.15%
Turnover Rate <sup>3</sup>	10%	6%	8%	10%	11%

1 Net investment income per share and ratio of net investment income to average net assets include \$.62 and 1.17%, respectively, resulting from a cash payment received in connection with the merger of Schering-Plough and Merck & Co., Inc., in November 2009.

2 Calculated based on average shares outstanding.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Industrials ETF

	Year Ended Aug. 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$46.45</b>	<b>\$66.65</b>	<b>\$73.94</b>	<b>\$59.85</b>	<b>\$54.30</b>
<b>Investment Operations</b>					
Net Investment Income	.910 <sup>1</sup>	1.253	1.157 <sup>1</sup>	1.026 <sup>1</sup>	.842 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments	5.065	(20.342)	(7.466)	13.808	5.160
Total from Investment Operations	5.975	(19.089)	(6.309)	14.834	6.002
<b>Distributions</b>					
Dividends from Net Investment Income	(.715)	(1.111)	(.981)	(.744)	(.452)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.715)	(1.111)	(.981)	(.744)	(.452)
<b>Net Asset Value, End of Period</b>	<b>\$51.71</b>	<b>\$46.45</b>	<b>\$66.65</b>	<b>\$73.94</b>	<b>\$59.85</b>
<b>Total Return</b>	<b>12.85%</b>	<b>-28.41%</b>	<b>-8.65%</b>	<b>24.95%</b>	<b>11.08%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$295	\$186	\$347	\$229	\$120
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	1.69%	2.74%	1.68%	1.50%	1.38%
Turnover Rate <sup>2</sup>	10%	8%	7%	13%	9%

1 Calculated based on average shares outstanding.

2 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Information Technology ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$47.64</b>	<b>\$53.32</b>	<b>\$58.52</b>	<b>\$47.66</b>	<b>\$46.76</b>
<b>Investment Operations</b>					
Net Investment Income	.296	.331 <sup>1</sup>	.249	.231 <sup>1</sup>	.175 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments	1.714	(5.685)	(5.274)	10.765	.816
Total from Investment Operations	2.010	(5.354)	(5.025)	10.996	.991
<b>Distributions</b>					
Dividends from Net Investment Income	(.250)	(.326)	(.175)	(.136)	(.091)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.250)	(.326)	(.175)	(.136)	(.091)
<b>Net Asset Value, End of Period</b>	<b>\$49.40</b>	<b>\$47.64</b>	<b>\$53.32</b>	<b>\$58.52</b>	<b>\$47.66</b>
<b>Total Return</b>	<b>4.17%</b>	<b>-9.78%</b>	<b>-8.62%</b>	<b>23.10%</b>	<b>2.11%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$1,137	\$639	\$497	\$439	\$172
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	0.69%	0.85%	0.51%	0.42%	0.36%
Turnover Rate <sup>2</sup>	9%	12%	11%	8%	8%

1 Calculated based on average shares outstanding.

2 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Materials ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$60.23</b>	<b>\$84.27</b>	<b>\$82.10</b>	<b>\$63.65</b>	<b>\$55.70</b>
<b>Investment Operations</b>					
Net Investment Income	1.907 <sup>1</sup>	1.242	1.470	1.418 <sup>2</sup>	1.336 <sup>2</sup>
Net Realized and Unrealized Gain (Loss) on Investments <sup>3</sup>	4.186	(23.683)	1.977	18.168	7.582
Total from Investment Operations	6.093	(22.441)	3.447	19.586	8.918
<b>Distributions</b>					
Dividends from Net Investment Income	(.923)	(1.599)	(1.277)	(1.136)	(.968)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(.923)	(1.599)	(1.277)	(1.136)	(.968)
<b>Net Asset Value, End of Period</b>	<b>\$65.40</b>	<b>\$60.23</b>	<b>\$84.27</b>	<b>\$82.10</b>	<b>\$63.65</b>
<b>Total Return</b>	<b>10.07%</b>	<b>-25.88%</b>	<b>4.15%</b>	<b>31.06%</b>	<b>16.11%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$415	\$375	\$365	\$312	\$95
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	2.81% <sup>1</sup>	2.26%	1.79%	1.84%	2.16%
Turnover Rate <sup>4</sup>	10%	12%	10%	6%	13%

1 Net investment income per share and ratio of net investment income to average net assets include \$.819 and 1.14%, respectively, resulting from a special dividend from Weyerhaeuser Co. in July 2010.

2 Calculated based on average shares outstanding.

3 Includes increases from redemption fees of \$0.01, \$0.03, \$0.04, \$0.02, and \$0.00.

4 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Telecommunication Services ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$50.58</b>	<b>\$62.05</b>	<b>\$80.60</b>	<b>\$65.40</b>	<b>\$55.35</b>
<b>Investment Operations</b>					
Net Investment Income	1.981 <sup>1</sup>	1.602 <sup>1</sup>	1.764 <sup>1</sup>	1.741 <sup>1</sup>	2.040 <sup>1,2</sup>
Net Realized and Unrealized Gain (Loss) on Investments <sup>3</sup>	6.290	(11.699)	(18.316)	14.386	9.567
Total from Investment Operations	8.271	(10.097)	(16.552)	16.127	11.607
<b>Distributions</b>					
Dividends from Net Investment Income	(1.511)	(1.373)	(1.998)	(.927)	(1.557)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(1.511)	(1.373)	(1.998)	(.927)	(1.557)
<b>Net Asset Value, End of Period</b>	<b>\$57.34</b>	<b>\$50.58</b>	<b>\$62.05</b>	<b>\$80.60</b>	<b>\$65.40</b>
<b>Total Return</b>	<b>16.39%</b>	<b>-15.88%</b>	<b>-20.94%</b>	<b>24.81%</b>	<b>21.49%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$241	\$147	\$143	\$266	\$72
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.23%	0.25%
Ratio of Net Investment Income to Average Net Assets	3.60%	3.42%	2.55%	2.21%	3.31% <sup>2</sup>
Turnover Rate <sup>4</sup>	23%	25%	28%	17%	32%

1 Calculated based on average shares outstanding.

2 Net Investment income per share and the ratio of net investment income to average net assets include \$0.219 and 0.38%, respectively, resulting from a special dividend from MCI in December 2005.

3 Includes increases from redemption fees of \$0.00, \$0.00, \$0.08, \$0.03, and \$0.00.

4 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

## Utilities ETF

	Year Ended August 31,				
	2010	2009	2008	2007	2006
<b>Net Asset Value, Beginning of Period</b>	<b>\$61.24</b>	<b>\$78.22</b>	<b>\$80.92</b>	<b>\$72.68</b>	<b>\$67.80</b>
<b>Investment Operations</b>					
Net Investment Income	2.554 <sup>1</sup>	2.512	2.285	2.180	2.214 <sup>1</sup>
Net Realized and Unrealized Gain (Loss) on Investments <sup>2</sup>	3.550	(16.978)	(2.695)	8.156	4.704
Total from Investment Operations	6.104	(14.466)	(.410)	10.336	6.918
<b>Distributions</b>					
Dividends from Net Investment Income	(2.414)	(2.514)	(2.290)	(2.096)	(2.038)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(2.414)	(2.514)	(2.290)	(2.096)	(2.038)
<b>Net Asset Value, End of Period</b>	<b>\$64.93</b>	<b>\$61.24</b>	<b>\$78.22</b>	<b>\$80.92</b>	<b>\$72.68</b>
<b>Total Return</b>	<b>10.18%</b>	<b>-18.34%</b>	<b>-0.66%</b>	<b>14.37%</b>	<b>10.52%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$581	\$364	\$371	\$285	\$183
Ratio of Total Expenses to Average Net Assets	0.24%	0.25%	0.20%	0.22%	0.25%
Ratio of Net Investment Income to Average Net Assets	4.07%	4.31%	2.80%	2.74%	3.29%
Turnover Rate <sup>3</sup>	8%	10%	18%	12%	9%

1 Calculated based on average shares outstanding.

2 Includes increases from redemption fees of \$ 0.01, \$0.02, \$0.04, \$0.03, and \$0.06.

3 Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the Fund's capital shares, including ETF Creation Units.

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# Glossary of Investment Terms

**Active Management.** An investment approach that seeks to exceed the average returns of a particular financial market or market segment. Active managers rely on research, market forecasts, and their own judgment and experience in selecting securities to buy and sell.

**Authorized Participant.** Institutional investors that are permitted to purchase Creation Units directly from, and redeem Creation Units directly with, the issuing fund. To be an Authorized Participant, an entity must be a participant in the Depository Trust Company and must enter into an agreement with the fund's Distributor.

**Bid-Asked Spread.** The difference between the price a dealer is willing to pay for a security (the bid price) and the somewhat higher price at which the dealer is willing to sell the same security (the ask price).

**Capital Gains Distribution.** Payment to mutual fund shareholders of gains realized on securities that a fund has sold at a profit, minus any realized losses.

**Common Stock.** A security representing ownership rights in a corporation. A stockholder is entitled to share in the company's profits, some of which may be paid out as dividends.

**Creation Unit.** A large block of a specified number of ETF Shares. Authorized Participants may purchase and redeem ETF Shares from the issuing fund only in Creation Unit-size aggregations.

**Dividend Distribution.** Payment to mutual fund shareholders of income from interest or dividends generated by a fund's investments.

**Expense Ratio.** The percentage of a fund's average net assets used to pay its expenses during a fiscal year. The expense ratio includes management expenses (such as advisory fees, account maintenance, reporting, internal accounting, legal, and other administrative expenses); any 12b-1 distribution fees; and "other" expenses (usually fees paid to independent third parties, such as the fund's custodian and auditor). It does not include the transaction costs of buying and selling portfolio securities.

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

**Median Market Capitalization.** An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

**MSCI US Investable Market Consumer Discretionary Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the consumer discretionary sector, as classified under the Global Industry Classification Standard (GICS)

**MSCI US Investable Markets Consumer Staples Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the consumer staples sector, as classified under the GICS.

**MSCI US Investable Market Energy Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the energy sector, as classified under the GICS.

**MSCI US Investable Market Financials Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the financials sector, as classified under the GICS.

**MSCI US Investable Market Health Care Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the health care sector, as classified under the GICS.

**MSCI US Investable Market Industrials Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the industrial sector, as classified under the GICS.

**MSCI US Investable Market Information Technology Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the information technology sector, as classified under the GICS.

**MSCI US Investable Market Materials Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the materials sector, as classified under the GICS.

**MSCI US Investable Market Telecommunication Services Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the telecommunication services sector, as classified under the GICS.

**MSCI US Investable Market Utilities Index.** An index that is made up of stocks of large, medium-size, and small U.S. companies within the utilities sector, as classified under the GICS.

**Mutual Fund.** An investment company that pools the money of many people and invests it in a variety of securities in an effort to achieve a specific objective over time.

**Passive Management.** A low-cost investment strategy in which a mutual fund attempts to track—rather than outperform—a specified market benchmark or “index”; also known as indexing.

**Price/Earnings (P/E) Ratio.** The current share price of a stock, divided by its per-share earnings (profits). A stock selling for \$20, with earnings of \$2 per share, has a price/earnings ratio of 10.

**Principal.** The face value of a debt instrument or the amount of money put into an investment.

**Securities.** Stocks, bonds, money market instruments, and other investments.

**Spliced US IMI Consumer Discretionary 25/50 Index.** An index that consists of the MSCI US Investable Market Consumer Discretionary Index through February 26, 2010 and the MSCI US Investable Market Consumer Discretionary 25/50 Index thereafter.

**Spliced US IMI Consumer Staples 25/50.** An index that consists of the MSCI US Investable Market Consumer Staples Index through February 26, 2010 and the MSCI US Investable Market Consumer Staples 25/50 Index thereafter.

**Spliced US IMI Energy 25/50.** An index that consists of the MSCI US Investable Market Energy Index through February 26, 2010 and the MSCI US Investable Market Energy 25/50 Index thereafter.

**Spliced US IMI Financials 25/50.** An index that consists of the MSCI US Investable Market Financials Index through February 26, 2010 and the MSCI US Investable Market Financials 25/50 Index thereafter.

**Spliced US IMI Health Care 25/50.** An index that consists of the MSCI US Investable Market Health Care Index through February 26, 2010 and the MSCI US Investable Market Health Care 25/50 Index thereafter.

**Spliced US IMI Industrials 25/50.** An index that consists of the MSCI US Investable Market Industrials Index through February 26, 2010 and the MSCI US Investable Market Industrials 25/50 Index thereafter.

**Spliced US IMI Info Tech 25/50.** An index that consists of the MSCI US Investable Market Information Technology Index through February 26, 2010 and the MSCI US Investable Market Information Technology 25/50 Index thereafter.

**Spliced US IMI Materials 25/50.** An index that consists of the MSCI US Investable Market Materials Index through February 26, 2010 and the MSCI US Investable Market Materials 25/50 Index thereafter.

**Spliced US IMI Telecom Serv 25/50.** An index that consists of the MSCI US Investable Market Telecommunication Services Index through February 26, 2010 and the MSCI US Investable Market Telecommunication Services 25/50 Index thereafter.

**Spliced US IMI Utilities 25/50.** An index that consists of the MSCI US Investable Market Utilities Index through February 26, 2010 and the MSCI US Investable Market Utilities 25/50 Index thereafter.

**Total Return.** A percentage change, over a specified time period, in a mutual fund's net asset value, assuming the reinvestment of all distributions of dividends and capital gains.

**Volatility.** The fluctuations in value of a mutual fund or other security. The greater a fund's volatility, the wider the fluctuations in its returns.

**Yield.** Income (interest or dividends) earned by an investment, expressed as a percentage of the investment's price.



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#### **For More Information**

If you would like more information about Vanguard U.S. Sector ETFs, the following documents are available free upon request:

#### **Annual/Semiannual Reports to Shareholders**

Additional information about the Funds' investments is available in the Funds' annual and semiannual reports to shareholders. In the annual reports, you will find a discussion of the market conditions and investment strategies that significantly affected the Funds' performance during their last fiscal year.

#### **Statement of Additional Information (SAI)**

The SAI for the issuing Funds provides more detailed information about the Funds' ETF Shares.

The SAI and portions of the current annual and semiannual reports are incorporated by reference into (and are thus legally a part of) this prospectus.

To receive a free copy of the latest annual or semiannual report or the SAI, or to request additional information about Vanguard ETF Shares, please visit [Vanguard.com](http://Vanguard.com) or contact us as follows:

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#### **Information Provided by the Securities and Exchange Commission (SEC)**

You can review and copy information about the Funds (including the SAI) at the SEC's Public Reference Room in Washington, DC. To find out more about this public service, call the SEC at 202-551-8090. Reports and other information about the Funds are also available in the EDGAR database on the SEC's Internet site at [Sec.gov](http://Sec.gov), or you can receive copies of this information, for a fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

Funds' Investment Company Act file number: 811-1027