Our multi-manager approach

Vanguard began with single manager funds

- Many of these funds experienced capacity constraints or manager concerns

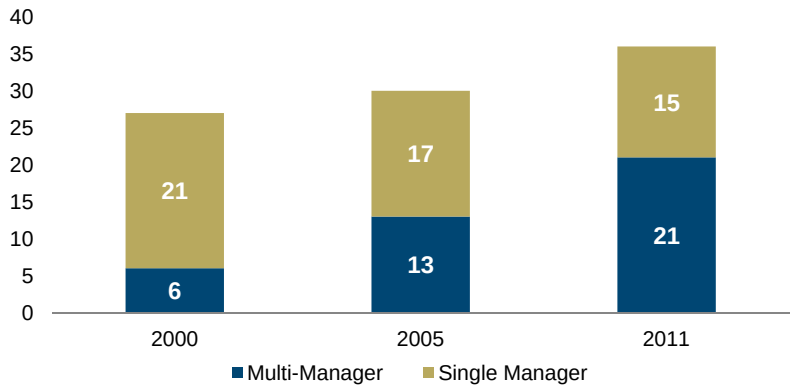
We gradually embraced the multi-manager approach

- Lowers individual manager risk and dependency
- Improves relative performance predictability without necessarily reducing alpha
- Provides increased capacity and flexibility
- Allows for the hiring of higher-tracking error managers

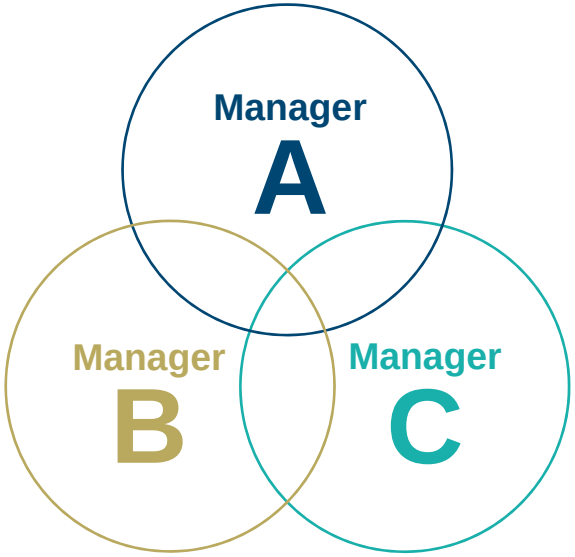
We take a long-term, conviction-oriented approach to manager weights

- Qualitative investment considerations: Manager conviction, desired performance consistency
- Quantitative investment considerations: Correlation of excess returns, holdings overlap, tracking error
- Practical considerations: Manager relationship sensitivity, capacity, product line-up differentiation

of Funds: Multi-Manager vs. Single Manager



*Includes active equity and balanced funds.



The art of creating effective multimanager funds

Select talented managers

Combine managers effectively

Provide rigorous oversight

Vanguard's low costs, which allows investors to keep more of a fund's return

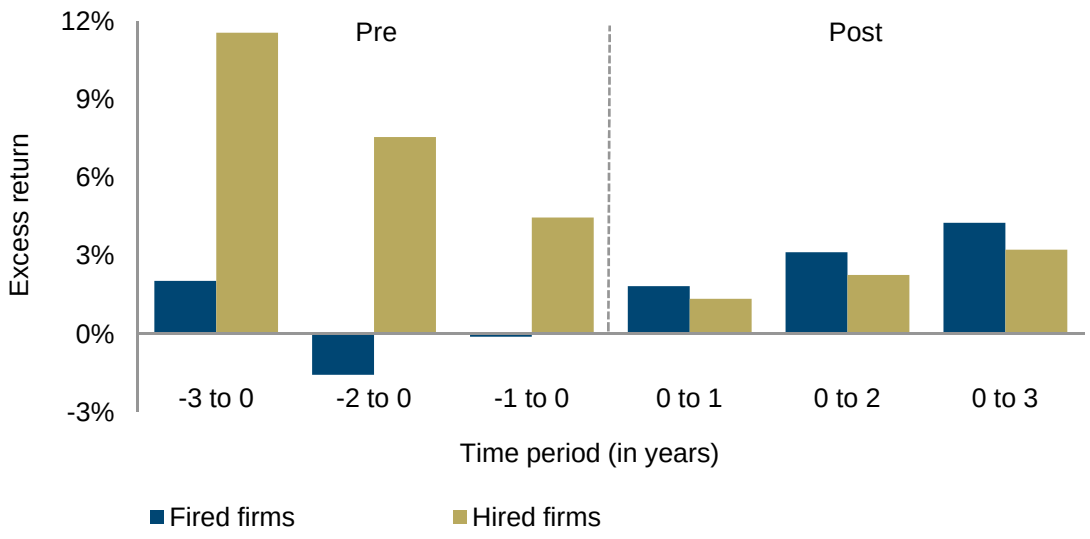
Results

Provide rigorous oversight:
Long-term perspective on performance

A recent research study examined the hiring/firing decisions of 3,400 investment committees

- Hired managers after impressive performance
- Subsequent performance of newly hired managers was worse than that of fired managers

Pre- and post-excess returns for fired and hired investment managers



Did these investment committees make good decisions?

Source: Goyal and Wahal, *The Selection and Termination of Investment Management Firms by Plan Sponsors*, 2008.
Past performance is not a guarantee of future results.

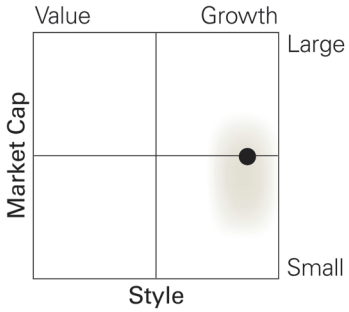
For institutional use only. Not for public distribution.

Vanguard Mid-Cap Growth Fund
Product Overview

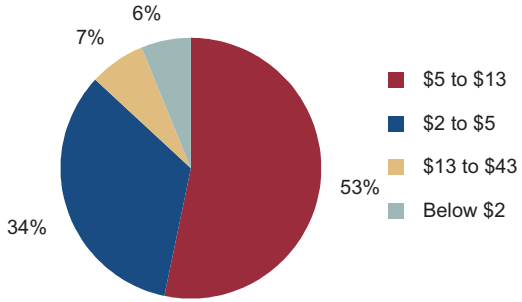
Product Summary

- Mid-cap growth equity portfolio.
- Seeks long-term capital appreciation.
- Active, fundamental investment process.
- Broadly diversified, multimanager structure.
- Fund assets (in millions): $2,187
- Fund inception date: 12/31/1997

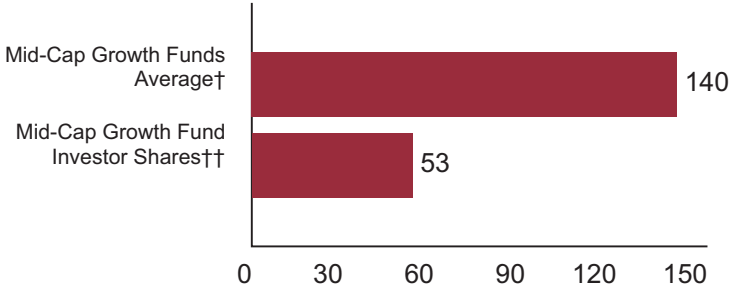
Investment Focus



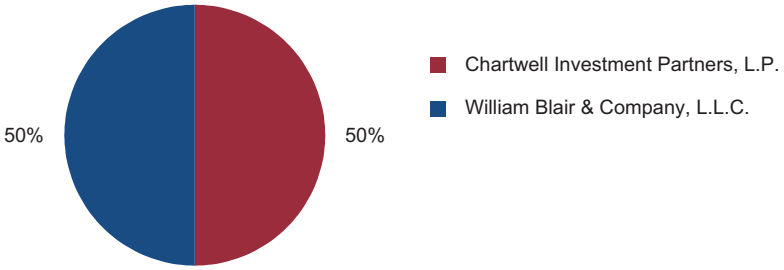
Market Cap Breakdown (billions)



Expenses (in basis points)



Fund Advisors



† Mid-Cap Growth Funds Average: Derived from data provided by Lipper Inc. as of 12/31/2011.
†† As reported in the most recent prospectus.
All data as of September 30, 2012, unless otherwise noted.
Investment objectives, risks, charges, expenses, frequent-trading policy, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

Vanguard Mid-Cap Growth Fund
Portfolio Management

Chartwell Investment Partners, L.P.

Edward N. Antoian, CFA, CPA, Managing Partner
- Portfolio manager.
- Advised the fund since 2006.
- Worked in investment management since 1984.
- B.S., State University of New York at Albany.
- M.B.A., University of Pennsylvania.

John A. Heffern, Managing Partner and Senior Portfolio Manager
- Portfolio Manager.
- Advised the fund since 2009.
- Worked in investment management since 1988.
- B.S., University of North Carolina, Chapel Hill.
- M.B.A., University of North Carolina, Chapel Hill.

William Blair & Company, L.L.C.

Robert C. Lanphier, Principal
- Portfolio manager.
- Advised the fund since 2006.
- Worked in investment management since 1987.
- B.S., Purdue University.
- M.B.A., Northwestern University.

David Ricci, CFA, Principal
- Portfolio manager.
- Advised the fund since 2006.
- Worked in investment management since 1994.
- Sc.B., Brown University.
- M.B.A., Harvard Business School.

Vanguard Mid-Cap Growth Fund
Chartwell Firm Overview & Investment Philosophy

Chartwell Investment Partners

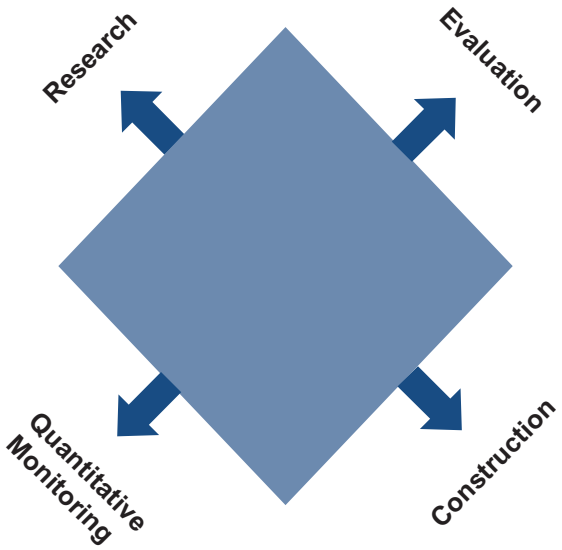
- Fund advisor since 2006.
- Founded in 1997.
- Owned by employees.
- Approximately $5 billion in assets.

Investment Philosophy

- Chartwell Investment Partners invests in selected growth companies that demonstrate strong increases in earnings per share.
- Focus on companies that continually broaden, deepen, and enhance their fundamental capabilities, competitive positions, product and service offerings, and customer bases.
- Chartwell initiates investments opportunistically, when the stocks are attractively valued, yet concentrate holdings in companies best positioned for most rapid growth.
- Chartwell's portfolios focus on a narrow set of such investments.

Vanguard Mid-Cap Growth Fund
Chartwell Investment Process

- Research is the only way to turn up companies matching Chartwell's target characteristics.
- Chartwell's evaluation of companies researched includes relatively conservative valuation parameters and a good dose of judgment.
- Portfolio construction is largely a bottom up process, yet includes some caps on sector exposure.
- Chartwell employs quantitative monitoring to understand what other investors see in companies.



Vanguard Mid-Cap Growth Fund
William Blair Firm Overview & Investment Philosophy

William Blair & Company, LLC

- Fund advisor since 2006.
- Owned 100% by active employees.
- Located in Chicago, Illinois.
- Approximately $41 billion in assets under management.
- 95 investment professionals*.

Investment Philosophy

Quality growth
Superior, longer-term earnings growth. • Strong management. • Sustainable business model. • Solid financials.

*Investment professionals are defined as portfolio managers, research analysts, and traders.

Vanguard Mid-Cap Growth Fund
William Blair Investment Process

Step One: Investable Universe

900 companies primarily within the range of the Russell Mid-Cap Index.

Respected Referrals

External network, sell side analysts, industry sources

Quantitative Screens

Quality, growth, valuation, EPS trend, price momentum

Step Two: Eligibility List

350-400 potential quality growth companies.

Preliminary Bottom-up Analysis

Firm-wide resources, public filings, industry contacts, Wall Street research

Step Three:

150-200 quality growth companies.

Thorough Fundamental Analysis—Research Agenda

A. Identify Durable Business Franchises

B. Valuation Framework

Step Four: Buy List

75-100 quality growth companies.

PORTFOLIO CONSTRUCTION & RISK CONTROL

Step five:

40-60 quality growth companies.

Sell Discipline

Vanguard Mid-Cap Growth Fund Portfolio

Equity Characteristics

	Mid-Cap Growth Current	Russell Midcap Growth Index Current
Number of stocks	112	454
Median market cap	$6.6B	$8.8B
P/E Ratio (trailing earnings)	23.7x	23.0x
P/B ratio	3.3x	4.5x
Return on equity (5 year average)	16.5%	18.3%
Earnings growth rate (5 year)	17.7%	12.8%
Equity yield (dividend)	0.6%	1.1%
Foreign holdings	0.3%	0.0%
Turnover (fiscal year end)	126.8%	—

Total Fund Volatility Measures

	Russell Midcap Growth Index	DJ U.S. Total Market Index
R-squared	0.97	0.90
Beta	0.95	1.05

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

Vanguard Mid-Cap Growth Fund Portfolio

Ten Largest Holdings as a % of Total Net Assets

Dick's Sporting Goods Inc	2.3%
McCormick & Co Inc	1.9
Lululemon Athletica Inc	1.9
Citrix Systems Inc	1.8
SBA Communications Corp	1.7
Amphenol Corp	1.7
Mead Johnson Nutrition Co	1.6
Affiliated Managers Group Inc	1.6
Ecolab Inc	1.5
HMS Holdings Corp	1.4
Top Ten as a % of Total Net Assets	17.4%

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

Sector Diversification as a % of Common Stock

	Mid-Cap Growth Current	Russell Midcap Growth Index Current	Mid-Cap Growth Year Ago
Consumer Discretionary	24.8%	25.2%	20.6%
Consumer Staples	4.6	7.8	4.4
Energy	5.7	5.5	5.3
Financials	13.0	7.3	9.5
Health Care	10.9	13.4	16.1
Industrials	13.6	14.3	15.2
Information Technology	22.1	17.6	23.0
Materials	3.5	6.3	5.0
Telecommunication Services	1.8	1.8	0.9
Utilities	0.0	0.8	0.0

Vanguard Mid-Cap Growth Fund Performance Analysis

12 Month Attribution

	Portfolio			Benchmark			Attribution		
	Average Weight	12 Mo. Return	Contrib. Return	Average Weight	12 Mo. Return	Contrib. Return	Alloc. Effect	Select Effect	Total Effect
Consumer Discretionary	19.6%	38.0%	6.6%	21.9%	28.8%	6.0%	0.0%	1.4%	1.4%
Information Technology	21.4	27.9	5.8	18.2	21.8	4.2	-0.2	1.1	0.9
Telecommunications Services	1.5	82.4	1.0	1.7	28.0	0.5	0.1	0.5	0.6
Energy	6.1	29.5	1.8	8.2	26.1	2.1	0.0	0.3	0.3
Industrials	15.7	27.8	4.5	14.8	27.6	4.1	0.1	0.3	0.3
Financials	8.7	31.7	2.8	6.9	30.6	2.1	0.0	0.1	0.1
Utilities	0.0	0.0	0.0	0.4	6.9	0.1	0.0	0.0	0.0
Materials	4.3	34.1	1.5	8.0	38.6	2.9	-0.3	-0.2	-0.5
Consumer Staples	4.2	-23.1	-1.0	6.6	6.3	0.3	0.5	-1.4	-0.8
Health Care	12.3	28.6	3.1	13.3	37.0	4.5	-0.2	-0.9	-1.1
[Cash]	6.2	0.1	0.0	0.0	0.0	0.0	-1.8	0.0	-1.8
Total	**100.0%**	**26.1%**	**26.1%**	**100.0%**	**26.7%**	**26.7%**	**-1.7%**	**1.2%**	**-0.5%**

The portfolio attribution data shown above is provided by FactSet based on information provided by Vanguard about the fund's daily portfolio holdings as of the market close. Because the fund buys and sells stocks throughout the trading day and not necessarily at the market close, the attribution data shown above is an estimate and may not precisely reflect actual attribution information. Information noted above does not reflect fair-value adjustments to prices of foreign securities held in the portfolio.

Vanguard Mid-Cap Growth Fund Performance Analysis

Top Contributors - 12 Month

	12 Month Return	Contrib	Ending Weight	Bench Weight
United Rentals Inc.	93.7	0.8	0.5	0.2
Netflix Inc.	-74.6	0.0	0.0	0.2
Goodrich Corp.	35.8	0.5	0.0	0.0
Dick's Sporting Goods Inc.	44.6	0.7	2.3	0.2
TransDigm Group Inc.	50.9	0.8	1.3	0.4

Top Detractors - 12 Month

	12 Month Return	Contrib	Ending Weight	Bench Weight
Green Mountain Coffee Roasters Inc.	-76.8	-1.9	0.7	0.1
Polypore International Inc.	-47.4	-0.6	0.5	0.1
Gardner Denver Inc.	-38.6	-0.5	0.0	0.0
Alexion Pharmaceuticals Inc.	85.0	0.0	0.0	1.1
Solera Holdings Inc.	-27.5	-0.4	0.0	0.2

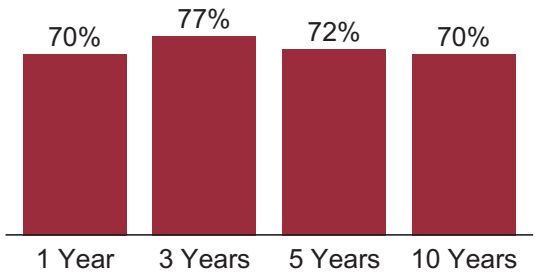
Vanguard Mid-Cap Growth Fund Performance

Total Returns: Investor Shares

	Mid-Cap Growth	Russell Midcap Growth Index	Mid-Cap Growth Funds Average
Periods Ended September 30, 2012			
1 Year	26.28%	26.69%	24.25%
3 Years	14.87	14.73	12.89
5 Years	2.87	2.54	0.87
10 Years	10.37	11.11	8.74
Calendar Year Performance			
2002	-28.54	-27.41	-28.59
2003	42.81	42.71	35.62
2004	11.38	15.48	12.28
2005	9.13	12.10	9.62
2006	12.72	10.66	8.62
2007	14.69	11.43	16.17
2008	-39.59	-44.32	-44.60
2009	38.42	46.29	40.12
2010	23.83	26.38	26.22
2011	1.17	-1.65	-4.48
Year to Date	13.91	13.88	12.74
3rd Quarter	3.92	5.35	4.53

Performance versus Competitors

Percentage of Mid-Cap Growth Funds Outperformed by Mid-Cap Growth Fund



Based on total returns as of September 30, 2012. Source: Lipper Inc.
Number of funds in category: 1-year, 390; 3-year, 353; 5-year, 318; 10-year, 215.
Results will vary for other time periods.

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month end, visit our website at vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.