



Flagship Situational Advice Service Brochure

May 25, 2012

This brochure provides information about the qualifications and business practices of Flagship Situational Advice Service, an advisory service offered through Vanguard Advisers, Inc. ("VAI"). If you have any questions about the contents of this brochure, please contact us at the number below. The information in this brochure hasn't been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about VAI also is available on the SEC's website at adviserinfo.sec.gov.

VAI is a registered investment advisor with the SEC. Registration doesn't imply a certain level of skill or training.

Material changes

There are no material changes to the Flagship Situational Advice Service advisory business, fees and compensation, disciplinary information, or other practices to disclose.

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Advisory business

Vanguard Advisers, Inc. ("VAI"), is a Pennsylvania corporation that provides investment advisory services to a wide variety of clients. VAI was incorporated in and has been in business since 1995. VAI is 100% owned by Goliath, Inc., a Delaware corporation. As such, VAI is an indirect, wholly owned subsidiary of The Vanguard Group, Inc. ("Vanguard"), the sponsor and manager of the family of mutual funds comprising The Vanguard Group of Investment Companies ("Vanguard Funds"), which VAI typically recommends as investments.

Situational advice

VAI offers an advisory service, Flagship Situational Advice Service (the "Service"), that allows clients to engage in consultations with a Flagship relationship manager who is registered as an investment advisor. This Service is designed to assist our clients with investment decisions for a range of financial topics and to help them take the initial steps in planning to achieve their long-term investment goals.

The relationship manager will give advice on a specific financial question or topic raised by the client. The advice the client will receive is based on Vanguard's investment methodology, as well as generally accepted investment principles. It will be tailored to the client's personal situation and based on the information provided by the client to the relationship manager. This Service doesn't provide tax advice. Clients should consult with their tax advisors to discuss tax-related concerns.

There's no obligation to accept or act upon any advice provided by the Flagship relationship manager. If the client chooses to do so, it remains the client's responsibility to separately contact Vanguard to initiate any transaction(s). In connection with the Service, VAI will not accept or assume discretionary authority over a client's accounts, isn't authorized to make decisions or enter into any transactions regarding a client's investments, and isn't under any obligation to review or monitor a client's financial situation or account(s) on an ongoing basis or update any advice given during the client's consultation(s) with the relationship manager. There's no guarantee that any advice given, or suggested asset allocation or mix of funds, will meet the client's investment objectives. As a client's financial circumstances or goals change, it may be helpful to engage this Service again.

The Service is a nondiscretionary, point-in-time advice offering and, therefore, doesn't manage client assets on a discretionary or nondiscretionary basis.

The advice provided may include recommendations to hold or purchase Vanguard Funds. Acting in accordance with such advice will result in the payment of fees to the Vanguard Funds and to Vanguard, an affiliate of VAI.

A client may separately arrange for the provision of advice by another provider that has no material affiliation with, and receives no compensation in connection with, the mutual funds, securities, or other property that's the subject of the advice.

Fees and compensation

There's no fee charged for this Service, which offers consultations with a Flagship relationship manager.

The advice provided by VAI may include recommendations to sell, hold, or purchase the Vanguard Funds. Acting in accordance with such advice will result in the payment of fees to the Vanguard Funds and to Vanguard, an affiliate of VAI. A purchase or sale of Vanguard Fund shares isn't subject to a load, sales charge, or commission. However, each Vanguard Fund incurs advisory, administrative, and custodial fees, as well as other fees and expenses that it pays out of its own assets. The advisory, administrative, custodial, and other costs make up the funds' expense ratios. Also, some Vanguard Funds impose purchase and redemption fees. Clients who invest in Vanguard Funds are indirectly subject to the applicable expense ratios and directly subject to any purchase and redemption fees. Please consult the prospectus for information about a specific fund's expense ratio. Clients may also directly incur transaction or brokerage charges when transacting in non-Vanguard securities.

The purchase or sale of third-party fund shares through Vanguard or its affiliates may be subject to a load or sales charge, although VAI generally recommends the purchase of no-load mutual funds. A fund's expenses are detailed in the fund's prospectus. In the event that VAI recommends that clients transact in non-Vanguard investments, clients may incur additional fees, including transaction fees, brokerage charges, sales charges, expense ratios, commissions, markups, or other fees or expenses. In addition, Vanguard or its affiliates may receive other compensation, including asset-based sales charges, service fees, revenue-sharing payments, 12b-1 fees, or other fees, in connection with such investments. The advice provided by the relationship manager won't take into consideration whether Vanguard or any of its affiliates would receive fees from its recommendation to purchase, hold, or sell non-Vanguard investments.

Performance-based fees and side-by-side management

Neither VAI nor Flagship relationship managers receive performance-based fees for advisory services provided to clients.

Types of clients

Certain clients who are currently enrolled in Vanguard Flagship Services are eligible for advice engagements, as needed, through this Service. Eligibility is based on total household assets held at Vanguard, with a minimum of \$1 million to qualify for Flagship Services®. We determine a client's Vanguard assets by aggregating assets of all eligible accounts held by the investor and his or her immediate family members who reside at the same address, including investments in Vanguard Funds, Vanguard ETFs®, certain annuities through Vanguard, The Vanguard 529 Plan, and certain small-business accounts. Assets in employer-sponsored retirement plans for which Vanguard provides recordkeeping services may be included in determining a client's assets if the investor also has a personal account holding Vanguard Funds. Note that assets held in a Vanguard Brokerage Services® (VBS®) account (other than Vanguard ETFs) aren't included when determining a client's assets.

Methods of analysis, investment strategies, and risk of loss

VAI's investment methodology incorporates our own investment philosophies and beliefs, such as the benefits of low costs, diversification, and indexing. Our methodology, which is approved and periodically reviewed by senior Vanguard management, is based on Vanguard's own fundamental research, as well as research obtained from a wide variety of external sources, both public and private. Our methodology is driven by long-term financial goals, not by market-timing or short-term investment performance. Rather than attempting to predict which investments will provide superior performance at any given time, VAI generally tries to minimize risk by recommending that you maintain a broad diversification among investments from a variety of market sectors and asset classes.

Please remember that all investments involve risk, including possible loss of principal. Fluctuations in the financial markets and other factors may cause declines in the value of your account. There's no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Diversification doesn't ensure a profit or protect against a loss in a declining market. As with any investment, you could lose money.

Disciplinary information

VAI has no disciplinary information to disclose.

Other financial industry activities and affiliations

The Vanguard Group, Inc.

Through an intermediary entity, VAI is 100% owned by The Vanguard Group, Inc. ("Vanguard"). Vanguard, also a registered investment advisor, provides a range of investment advisory and administrative services to the Vanguard family of mutual funds ("Vanguard Funds"). Vanguard is truly a mutual *mutual* fund company. It's owned jointly by the funds it services 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 these companies charge include a profit component over and above the companies' cost of providing these 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.

When giving advice to clients, VAI will recommend the purchase of Vanguard Funds serviced by VAI's corporate parent, Vanguard. VAI addresses the competing interests that could arise between us and our clients as a result of recommending proprietary funds by relying on our time-tested investment philosophies and beliefs, such as the benefits of low costs, diversification, and indexing, when formulating target allocations for clients. VAI discloses to prospective clients that it recommends Vanguard Funds prior to, or at the establishment of, the advisory relationship. Although acting in accordance with VAI's advice to purchase Vanguard's proprietary funds will result in the payment of fees to the Vanguard Funds and ETFs that are separate from, and in addition to, any fees assessed by VAI, any competing interests that could arise are mitigated by the at-cost nature of Vanguard's services to the funds.

Vanguard Marketing Corporation

Shares of the Vanguard Funds are marketed and distributed by Vanguard Marketing Corporation ("VMC"), a registered broker-dealer that's a wholly owned subsidiary of Vanguard and an affiliate of VAI. VMC's marketing and distribution services are conducted on an at-cost basis in accordance with the terms and conditions of a 1981 exemptive order from the SEC, which permits Vanguard Funds to internalize and jointly finance such activities. Each Vanguard 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 VMC's marketing costs. VMC doesn't receive transaction-based compensation in connection with the distribution of the Vanguard Funds.

When giving advice to clients, VAI will recommend the purchase of Vanguard Funds distributed by VAI's affiliate, VMC. Since VMC performs its marketing and distribution services on an at-cost basis and doesn't receive transaction-based compensation in connection with the distribution of the Vanguard Funds, no competing interests arise from VAI's affiliation with VMC.

Certain members of VAI's management responsible for the Service are registered representatives of, or are affiliated with, VMC. Please refer to the *Supplement to the Flagship Situational Advice Service Brochure* for further information.

Code of ethics, participation or interest in client transactions, and personal trading

VAI operates under a code of ethics ("the Code") that complies with Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 of the Investment Advisers Act of 1940.

The Code sets forth fiduciary standards that apply to all employees, incorporates Vanguard's Insider Trading Policy, and governs outside employment and receipt of gifts. Additionally, the Code imposes restrictions on the personal securities trading of Vanguard employees, as well as reporting requirements. The trading restrictions and reporting requirements are more involved for employees who have access to information about Vanguard Fund trading activity or Vanguard client trading activity and are designed to ensure that Vanguard employees don't misuse fund and/or client information for their own benefit.

Vanguard will provide a copy of its Code to any client or prospective client upon request at no charge.

Please see the previous section of this brochure entitled "Other financial industry activities and affiliations" for a discussion of VAI's affiliations with other Vanguard entities and how those affiliations may impact clients of VAI.

Brokerage practices

VAI doesn't recommend broker-dealers in connection with client transactions arising out of VAI's advice, as VAI generally recommends the purchase of Vanguard investments. However, if clients are interested in receiving brokerage services apart from the advisory services provided by VAI, VAI may inform clients of the availability of such services through VBS. VBS is a division of VMC. VAI's clients decide whether they want to trade through VBS or not. Clients may open a VBS account for the purposes of asset consolidation or transferring and liquidating assets previously held through another institution in advance of implementing VAI's recommended allocation of Vanguard investments. VBS would receive brokerage fees and commissions if a client opens a VBS account and executes trades.

Review of accounts

Under the Service, VAI, Vanguard, and its affiliates aren't under any obligation to review or monitor a client's financial situation on an ongoing basis or update any advice given during the consultation(s).

As owners of Vanguard Fund shares, VAI clients will receive or have access to communications with respect to those funds. These communications include transaction confirmations, quarterly account statements, prospectus updates, annual and semiannual reports, and proxy statements relating to their fund holdings (as appropriate), as well as general Vanguard newsletters, e-mails, and other communications.

Client referrals and other compensation

VAI receives no economic benefits from persons who aren't clients for providing investment advice or advisory services to its clients.

VAI does not directly or indirectly compensate any person who isn't a supervised person for client referrals.

Custody

VAI doesn't have custody of client funds or securities in connection with the Service.

Investment discretion

The Service is a point-in-time consultation. Accordingly, VAI doesn't exercise any discretion over client assets in connection with the Service.

Voting client securities

VAI won't vote or exercise similar rights for client securities. The exercise of all voting rights associated with any security or other property held by a client shall be the responsibility of the client. VAI won't advise or act for the client in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the client or the issuers of those securities. Proxies will be delivered to clients by the issuer of the security, the custodian, or its agent.

Financial information

VAI isn't aware of any financial condition that's reasonably likely to impair its ability to meet contractual commitments to clients.

Requirements for state-registered advisors

VAI is a federally registered investment advisor.