

Vanguard Interactive Advice Tools Brochure

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Vanguard Advisers, Inc.

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This brochure provides information about the qualifications and business practices of Vanguard's Interactive Advice Tools offered through Vanguard Advisers, Inc. ("VAI"). If you have any questions about the contents of this brochure, please contact us at 610-669-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about VAI also is available on the SEC's website at www.adviserinfo.sec.gov.

VAI is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.

MATERIAL CHANGES:

There have been no material changes in the advisory business, fees and compensation, methodology, disciplinary information, or other practices.

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ADVISORY BUSINESS

Advisory business

VAI is a Pennsylvania corporation that provides investment advisory services to a wide variety of clients, including the following:

- **Stable Value:** discretionary investment advisory services to separate accounts that are offered as investment options in state-sponsored education savings plans (“529 Plans”);
- **Vanguard Institutional Advisory Services:** discretionary and nondiscretionary advisory services and administrative services to institutional clients such as endowments, foundations, employee benefit plans and trusts, and family offices;
- **Vanguard ETF Strategic Model Portfolios:** model portfolios comprised of Vanguard Funds and exchange traded funds (ETFs) (as defined below) that are accessed by third party intermediaries through third party platforms;
- **Interactive Advice Tools: Personal Online Advisor (“POA”)** is a nondiscretionary advisory service previously offered to certain retail clients. POA is sub-advised by Financial Engines Advisors L.L.C. (“FE”), an independent investment advisory unaffiliated with VAI;
- **Vanguard Personal Advisor Services (“PAS”):** ongoing advised account services for certain retail clients and point-in-time advice services to participants in certain employer-sponsored retirement plans;
- **Vanguard Digital Advisor:** discretionary advisory service offered to retail clients and to participants of eligible employer-sponsored retirement plans; and
- **Vanguard Managed Account Program (“VMAP”)** and POA: discretionary advisory service offered to participants of eligible employer-sponsored retirement plans. POA is a

nondiscretionary advisory service offered to participants of eligible employer-sponsored retirement plans. VMAP and POA are sub-advised by FE.

As an SEC-registered advisor, VAI has a fiduciary duty to act in its clients’ best interests and to abide by the duties of care and loyalty. VAI was incorporated in and has been in business since 1995. VAI is 100% owned by Goliath, Inc., a Delaware corporation. Goliath is 100% owned by The Vanguard Group, Inc. (“Vanguard”). As such, VAI is an indirect, wholly owned subsidiary of Vanguard, the sponsor and manager of the family of mutual funds and ETFs (exchange-traded funds) comprising The Vanguard Group of Investment Companies (“Vanguard® Funds”), which VAI typically recommends as investments. Please see the section of this brochure entitled “Other financial industry activities and affiliations” for more information.

Personal Online Advisor

VAI offers Personal Online Advisor (“POA”) to clients who want access to online investment advice. In order to provide investment recommendations through POA, VAI relies exclusively on the proprietary software, systems, and methodology developed and maintained by Financial Engines Advisors LLC (“Financial Engines”), an independent investment advisor unaffiliated with VAI.

Financial goal forecasting

POA generates a forecast, or estimate, of the client's chance of reaching his or her financial goals. Forecasts are based on information in our systems including:

- Current account balance(s).
- Current savings or contribution rates.
- Time horizon (i.e., years until goal).

- Investment goals (i.e., desired account balance at the end of the time horizon).

The forecasts generated by POA are reasonable estimates based on information supplied by clients and are not guarantees of future results. Reliance on historical and current data necessarily involves certain inherent limitations.

Investment recommendations

POA provides specific buy-and-sell recommendations to help allocate assets among a limited selection of investments (generally, Vanguard Funds and other investment company securities) available for investment. In the case of eligible retirement plans, the plan's sponsor selects the investments available to accounts using the POA service.

Account reviews and monitoring

POA enables clients to review their accounts, monitor progress toward their financial goals, receive forecasts and investment recommendations, and access educational materials. Although POA updates the values of most mutual funds and stocks in a client's accounts daily, it is the client's responsibility to review and update accounts to adjust for significant changes in investments or personal circumstances.

POA does not recommend allocations of individual stocks, even if they are available for investment in a client's account. POA does not select the investment alternatives available for investment in a participant's account. By recommending allocations among the available investments, POA does not endorse the selection of particular investments as available investments for a client's account.

VAI only offers nondiscretionary investment advice through POA. Clients have no obligation to accept any suggestions provided by POA and neither VAI, Vanguard, nor Financial Engines is authorized to make decisions regarding clients' accounts or investments.

Since VAI does not provide ongoing discretionary or nondiscretionary account management services through the POA service, it does not track its assets under management.

FEES and COMPENSATION

Vanguard clients do not pay a fee to use the POA service.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

VAI does not receive performance based fees for use of interactive advisory tools by clients.

TYPES OF CLIENTS

POA is a complimentary service to investors with \$50,000 or more in assets at Vanguard that have an existing relationship with POA. POA no longer accepts new retail clients.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

VAI generally recommends investments in mutual funds and investment company securities. Although VAI will recommend investment strategies designed to be prudent and diversified, please remember that all investments, including mutual funds and investment company securities, involve some risk, including possible loss of principal. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or

provide you with a given level of income. Diversification does not ensure a profit or protect against a loss in a declining market. There is no assurance that you will achieve positive investment results by using VAI services. VAI cannot guarantee the future performance of your investments. Please consult the funds' prospectuses for more information about fund-specific risks.

POA offers investment advice based on an investment methodology developed by Financial Engines. POA uses Financial Engines' proprietary software to analyze historical and current returns, volatility, cross-correlations, and other factors to develop individualized target allocation recommendations. The Financial Engines software employs returns-based style analysis and optimization, among other techniques, to develop its target allocation recommendations. The main sources of information analyzed include historical returns for mutual funds, individual securities, and broad asset categories (e.g., large-capitalization U.S. equity returns, money market returns, foreign equity returns, etc.), security-specific information (such as mutual fund expense ratios), and current market data and information.

POA generates a forecast through the use of simulations, which are hypothetical economic scenarios based on analysis of historical and current returns, volatility, cross-correlations, and other factors. POA creates thousands of hypothetical future economic scenarios to evaluate how account investments might perform under a variety of circumstances, including changing interest rates, inflation, and market conditions. The forecast is a percentage figure representing the number of scenarios in which the clients' accounts would be sufficient to meet or exceed their investment goals at the end of the time horizon. POA also can include information about stock options in a financial goal forecast.

For more detailed information on Financial Engines and its investment methodology, please go to financialengines.com for a copy of its brochure.

DISCIPLINARY INFORMATION

VAI has no disciplinary information to disclose.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Vanguard Group, Inc. (Vanguard)

Through an intermediary entity, VAI is 100% owned by The Vanguard Group, Inc. (Vanguard). Vanguard, also a registered investment adviser, provides a range of investment advisory and administrative services to the Vanguard family of mutual funds (Vanguard Funds).

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 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. 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. Clients 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 is the subject of the advice.

Vanguard Marketing Corporation (VMC)

Shares of the Vanguard Funds are marketed and distributed by Vanguard Marketing Corporation (VMC), a registered broker-dealer that is a wholly owned subsidiary of Vanguard, and an affiliate of VAI.

VMC's marketing and distribution services are conducted in accordance with the terms and conditions of a 1981 exemptive order from the Securities and Exchange Commission, 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 does not receive transaction based compensation in connection with the distribution of the Vanguard Funds.

When giving advice to clients under this Service, VAI may recommend the purchase of Vanguard Funds distributed by VAI's affiliate, VMC. Since VMC does not receive transaction based compensation in connection with the distribution of the Vanguard Funds, the competing interests that arise from VAI's affiliation with VMC in its role as distributor of Vanguard Funds and ETFs are mitigated.

Vanguard Fiduciary Trust Company (VFTC)

VAI is also affiliated with Vanguard Fiduciary Trust Company ("VFTC"), a limited-purpose trust company incorporated under the banking laws of the Commonwealth of Pennsylvania and a wholly owned subsidiary of Vanguard. VFTC serves as trustee and investment advisor for certain collective investment funds and collective investment trusts offered by Vanguard as eligible investment options by some retirement plans. POA may recommend the purchase of Vanguard collective investment trusts serviced by VAI's affiliate, VFTC.

Financial Engines Advisors, LLC

The Vanguard Group has engaged Financial Engines Advisors LLC ("Financial Engines") to provide sub advisory services to POA. Financial Engines is an independent, third-party, federally registered investment advisor that does not sell investments or receive commission for the investments it recommends.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

VAI operates under a Code of Ethics 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 that have access to information about Vanguard Fund trading activity or Vanguard client trading activity and are designed to ensure that Vanguard employees do not misuse fund and/or client information for their own benefit.

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

Please see the 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

POA does not provide recommendations on individual securities. VAI does not select or recommend broker dealers for client transactions in connection with these services.

REVIEW OF ACCOUNTS

POA reviews accounts in accordance with the forecasting and monitoring services mentioned above.

CLIENT REFERRALS AND OTHER COMPENSATION

VAI receives no economic benefits from persons that are not clients for providing investment advice or advisory services to its clients. VAI does not directly or indirectly compensate any person who is not a supervised person for client referrals to the services provided herein.

CUSTODY

The POA service is a non-discretionary offering. Neither VAI, nor its affiliates, have custody of client funds or securities. The Vanguard Group, Inc., in its capacity as the transfer agent for Vanguard Funds, sends quarterly, or more frequent, account statements to clients.

INVESTMENT DISCRETION

The interactive advice tools are intended to be point-in-time advisory services that provide recommendations to users based on user input. These tools do not exercise discretion over user accounts. POA does not have discretion over clients' accounts.

VOTING CLIENT SECURITIES

VAI will not vote client securities through this service. 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 will not 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 the client through the issuer, by its custodian or its agent.

FINANCIAL INFORMATION

VAI is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

VAI is a federally registered investment adviser.