

## Fund Facts

Tier III:  
**Actively  
Managed Fund<sup>1</sup>**

Fund Type:  
**High-Yield Bond**

Inception Date:<sup>2</sup>  
**12/27/1978**

Total Net Assets:<sup>3</sup>  
**\$13.1 billion**

Expense Ratio:  
**0.13%**

Number of Holdings:  
**350**

Average Maturity:  
**6.6 years**

Duration:  
**4.8 years**

Interest Rate Risk:  
**Average**

Yield:  
**7.05%**

**Trading Restriction:**  
*Any participant who transfers money out of the Active High-Yield Bond Fund will not be able to transfer money back into the Fund for a period of 60 calendar days.*

**Short-Term Redemption Fee:**  
*This Fund charges a 1% redemption fee on shares held less than one year.*

[View](#) prospectus

## Investment Objective

The Fund seeks to provide a high level of current income. There is no assurance the Fund will achieve its objective. Refer to “Risks” section.

## Manager

The Fund is a Vanguard mutual fund managed by Wellington Management Company investment professionals.

## Investor Profile

Bond investments may be most appropriate for someone seeking a higher potential income than with a money market instrument. The Fund may be suitable for an investor with a long-term investment horizon who may desire to invest in bonds that are rated below investment grade in order to obtain higher interest rates than investment-grade bonds.

## Strategy

The Active High-Yield Bond Fund invests in units/shares of the Vanguard High-Yield Corporate Fund-Admiral shares. The Fund invests primarily in a diversified group of lower quality, higher risk corporate bonds, which pay high interest rates because they are considered to carry greater risk of default than bonds with higher credit ratings. The Fund invests at least 80% of its assets in corporate bonds that are rated below Baa. The Fund may not invest more than 20% of its assets in any of the following taken as a whole: bonds that are rated less than B or the equivalent, convertible securities and preferred stocks. The Fund may invest up to 20% of its assets in investment grade securities. The Fund may invest in repurchase agreements, foreign issuers (denominated in U.S. dollars), derivatives and lend its securities.

## Risks

There are risks involved with investing, including loss of money over short or long periods of time. Fund risks include, but are not limited to:

**Interest rate risk:** The risk that if interest rates rise bonds will decline in value.

**Income risk:** The risk that a fund’s income will decline because of falling interest rates.

**Default (credit) risk:** The risk that an issuer fails to pay interest or principal when due or in a timely manner or that negative perceptions of an issuer’s ability to make such payments will cause the price of the security to decline. Because high-yield bonds have a lower credit quality rating than investment-grade bonds, high-yield bonds have a greater risk of default.

**Call risk:** The risk that the issuer of a callable bond will redeem the bond issue prior to maturity. This typically results in the bond holder reinvesting funds at a lower interest rate resulting in a decline in income and losing the opportunity for additional price appreciation associated with falling interest rates.

**Liquidity risk:** The risk that a fund could experience difficulties in valuing and selling illiquid high-yield bonds or loans which may result in not receiving full value for the security.

**Market risk:** The risk that the price of securities in a fund will rise or fall sometimes rapidly or unpredictably due to factors such as real or perceived adverse economic conditions, political developments, and/or investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Stocks generally have greater price volatility than bonds.

**Manager risk:** The risk that manager decisions can adversely affect the ability of a fund to meet its investment objectives and/or cause a fund to underperform relevant benchmarks.

**Securities lending risk:** The risk that a fund’s participation in a securities lending program may result in losses to the fund. Securities lending programs and subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investment held in collateral pools may decline in value, be sold at a loss or incur credit losses. In the event of a material default in the collateral pools, a fund may incur its pro rata share of the loss.

# Active High-Yield Bond Fund

## as of September 30, 2011

### Performance

Current performance may be lower or higher than performance data shown. Performance data shown represents past performance and is not a guarantee or prediction of future results. For current performance data, go to [www.varetire.org](http://www.varetire.org) and select a Plan under the Defined Contribution Plans tab. Choose "Plan Investments," then "Investment Performance." The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost. Investors should consider the investment objectives, risk, fees and expenses carefully before investing.

	1 Year	3 Years*	5 Years*	10 Years*
Active High-Yield Bond Fund <sup>4</sup>	2.97%	10.90%	5.72%	6.60% <sup>5</sup>
Benchmark <sup>6</sup>	2.53	11.58	6.41	7.83

(95% Barclays Capital High-Yield ex-CCC, 5% Barclays Capital 1-3 Year Treasury Indices)

### Top Holdings

CIT Group Inc., 7.00%	1.3%
Citigroup Capital XIII Pfd.	1.1
HCA Inc.	1.0
Calpine Corp.	0.9
CIT Group Inc., 6.63%	0.9
CHS/Community Health Systems Inc.	0.9
Ford Motor Credit Co., LLC	0.9
Ally Financial	0.8
Dish DBS	0.8
Aramark Corp.	0.8

### Quality Distribution<sup>†</sup>

Aaa	2.5%
Baa	4.9
Ba	48.4
B	40.5
Caa	2.3
Not Rated	1.4

### Sector Weightings<sup>†</sup>

Communication	17.2%
Finance	14.6
Consumer Cyclical	14.5
Consumer Non-Cyclical	13.2
Technology	8.3
Utilities	7.9
Basic Industry	7.8
Energy	6.4
Capital Goods	6.3
Treasury/Agency	2.5
Transportation	1.3

### Allocation

Bonds	96.6%
Short-Term Reserves	3.4

### Glossary

**Quality Ratings:** Represents bond issuers' ability to make interest payments and repay principal over time. Rating organizations such as Moody's and Standard & Poor's evaluate the credit worthiness of bonds and assign ratings accordingly. Because the financial condition of an issuer can change, rating organizations may downgrade or upgrade ratings over time. The chart to the right serves as a reference.

**Duration:** Measures a bond or bond portfolio's price sensitivity to changes in interest rates. The higher the duration number (expressed in years) the greater the interest rate risk.

**Yield:** The standardized SEC yield based on the most recent 30-day period. It approximates the annual percent returned on a bond if held to maturity.

\*Annualized

† May not equal 100% due to rounding.

	Moody's <sup>**</sup>	Standard & Poor's <sup>††</sup>
<b>Investment Grade</b>		
Highest Quality	Aaa	AAA
High Quality (very strong)	Aa	AA
Upper-Medium Grade Quality (strong)	A	A
Medium Grade Quality	Baa	BBB
<b>Not Investment Grade</b>		
Lower Medium Grade Quality (somewhat speculative)	Ba	BB
Low Grade Quality (speculative)	B	B
Poor Quality	Caa	CCC
Most Speculative	Ca	CC
Imminent Default or Default	C	C, D

\*\*The ratings from Aa to Caa by Moody's may be modified by the addition of 1, 2 or 3 to show relative standing within the category with 1 ranking in the higher end and 3 ranking in the lower end of the category.

††The ratings from AA to CCC by Standard & Poor's may be modified by the addition of a plus or minus sign to show relative standing within the category.

1 An actively-managed fund tries to produce higher returns than the benchmark index. A professional portfolio manager, typically with one or more analysts, engages in regular in-depth research on the individual securities within a particular area of focus. Actively-managed investment options tend to have higher fees than those that are passively-managed because you are paying the investment manager for his or her expertise and research in deciding which securities to buy or sell and for the potential of achieving higher returns. Actively-managed investment options may also have higher fees due to more frequent trading of securities within the investment option than with a passively-managed one.

2 The inception date shown reflects the inception date of the Fund. The inception date for the Admiral Share class was 11/12/01.

3 Total net assets shown reflect all types of shares for the Fund. Net assets as of September 30, 2011 for the Admiral Shares equal \$8.3 billion.

4 The performance returns shown reflect all fund management fees and expenses, but does not reflect the Plan administrative fee, which would further reduce the returns shown. All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Performance returns are provided by Vanguard.

5 Since historical performance for Admiral<sup>™</sup> Shares is limited, returns are presented for the Fund's Investor Shares to provide a longer-term perspective. Performance for the Admiral shares may be slightly different because of the lower expense ratio.

6 You cannot invest directly in an Index.

Plan Administrative Fee - ING Institutional Plan Services ("ING"), the Plans' record keeper, will deduct an annual record keeping and communication services fee of 18 basis points (0.18%) capped at \$130,000 from your combined account balance on a quarterly basis (0.045% per quarter).

NOT FDIC INSURED - MAY LOSE VALUE - NO BANK GUARANTEE