Prepared for

Community Foundation for Muskegon County

Serving the Community Foundations of Muskegon, Mason, and Oceana Counties

May 8, 2018

Vanguard®

Agenda

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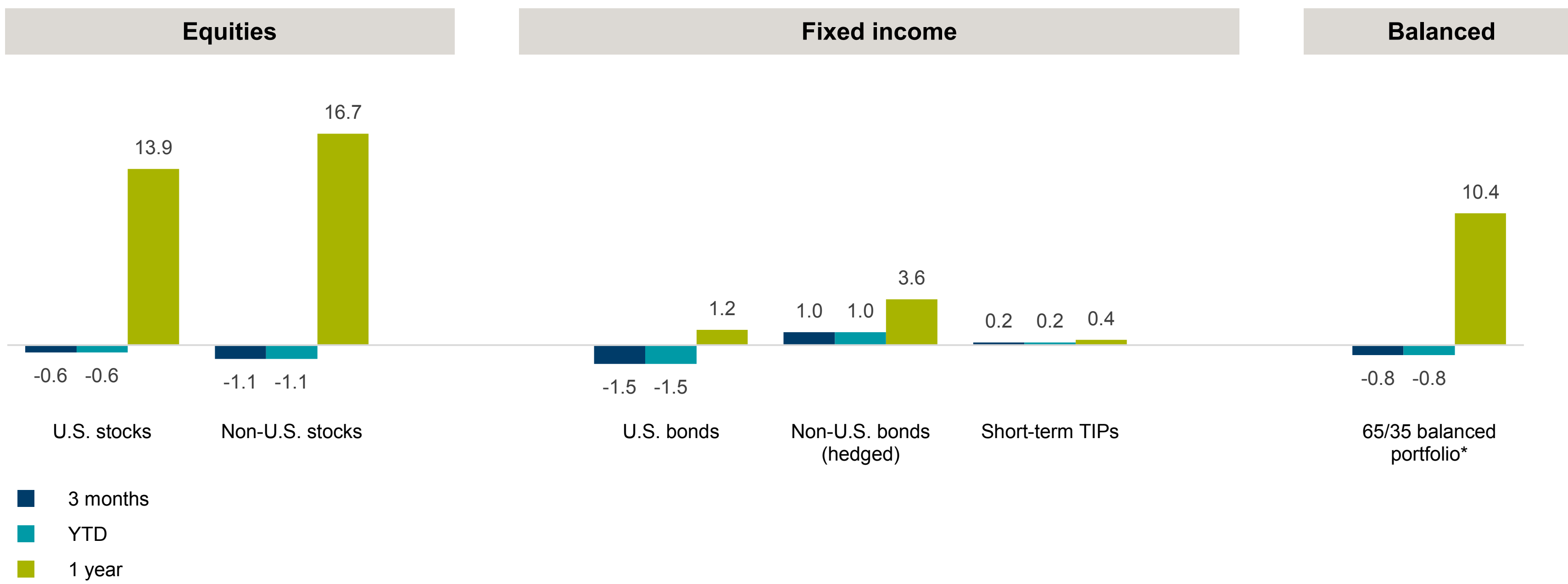
Market recap

Global equities sustain advance despite recent volatility, bonds provide modest return

- U.S. and international equities have held on to year-over-year gains despite renewed volatility in 1Q 2018, supported by strong macroeconomic conditions
- International equities have outperformed U.S equities over the trailing 12 months due to positive economic data in key regions around the globe and a weakening U.S. dollar
- Global fixed income delivered positive returns for the trailing 12 months despite a general rise in rates for short- and intermediate-term U.S. securities; short-period returns are mixed

Global market returns as of March 31, 2018 (%)



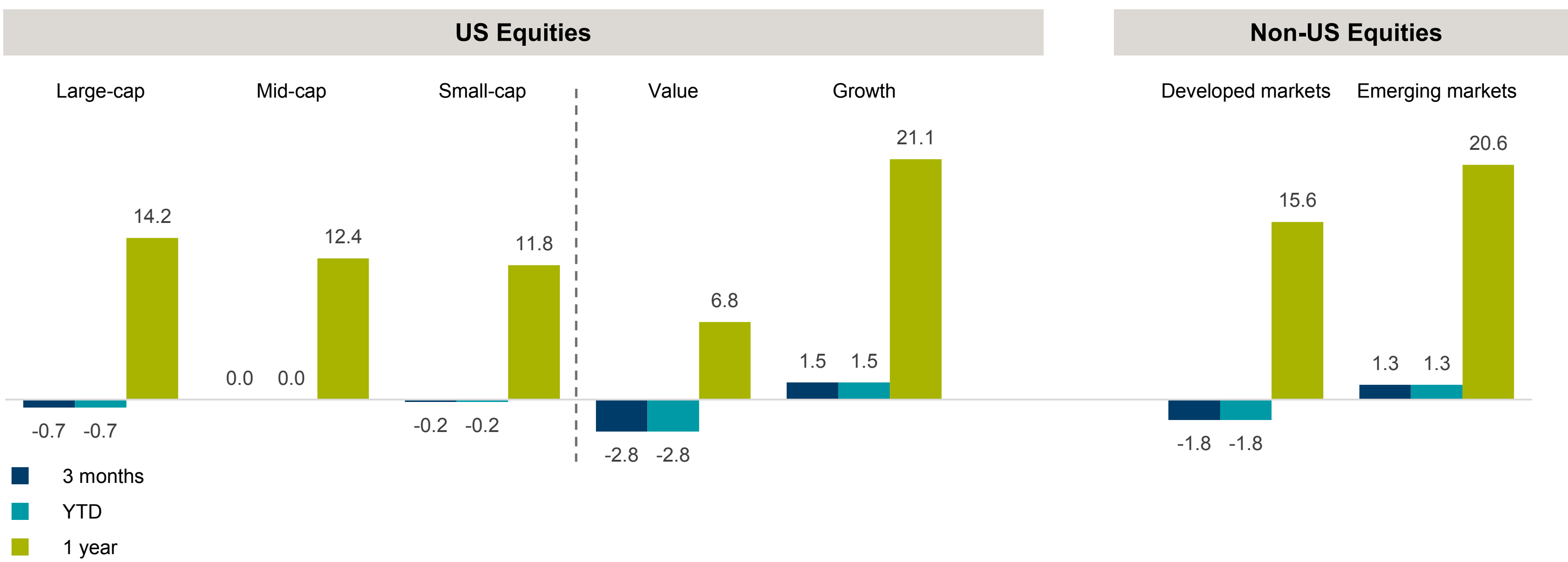
Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: Barclays, FTSE, MSCI, Russell, and Dow Jones.
US Stocks (CRSP US Total Market Index), Non-US Stocks (FTSE Global All-Cap ex-US Index), US Bonds (Barclays US Aggregate Float Adjusted Index), Non-US Bonds hedged (Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index hedged), Short-term TIPS (Barclays US 0-5 Year TIPS Index).
* 65/35 balanced portfolio Static Composite (39% U.S. stocks, 26% International stocks, and 24.5% Investment-grade U.S. bonds, 10.5% Investment-grade international bonds).

Volatility resurfaces leading to mixed equity returns for the year

- Returns across market capitalizations are flat to slightly negative for the year
- Despite the recent market volatility U.S. growth stocks continue to outperform value stocks led by strong returns in Information Technology
- Emerging markets equities still positive for the year in spite of the volatility in February and March

Global equity market returns as of March 31, 2018 (%)



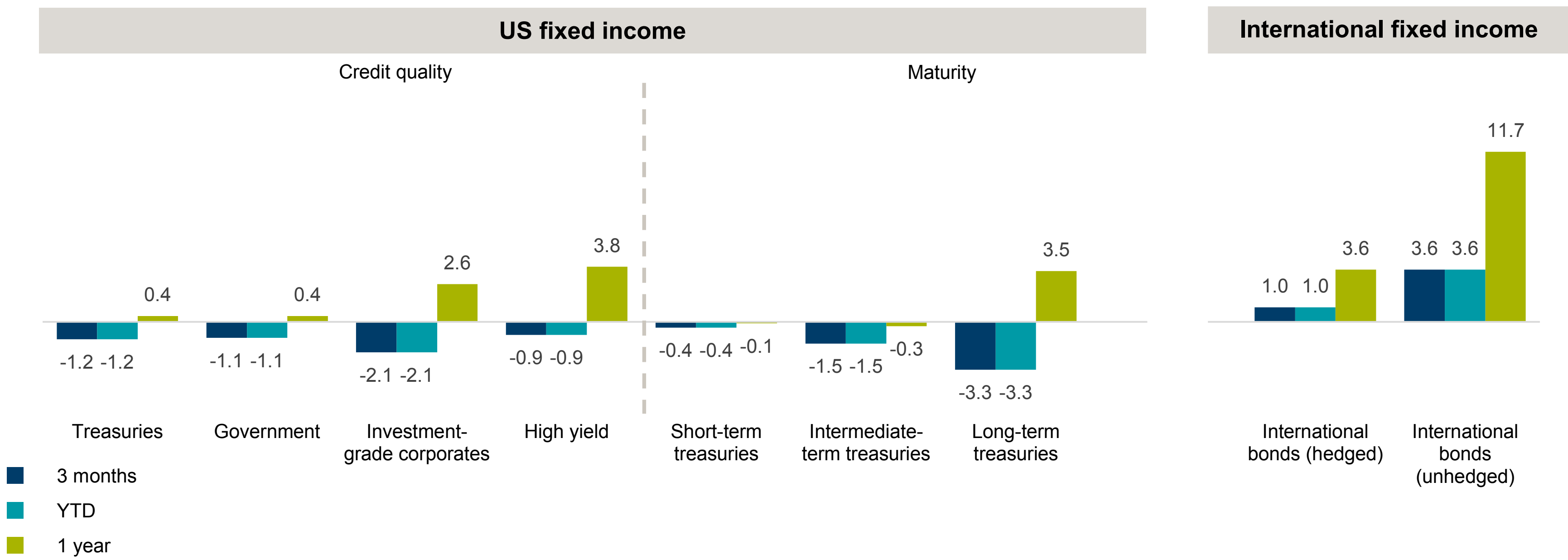
Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: Barclays, FTSE, MSCI, Russell, and Dow Jones.
Large-cap (CRSP US Large Cap Index), Mid-cap (CRSP US Mid Cap Index), Small-cap (CRSP US Small Cap Index); Value (Russell 3000 Value Index), Growth (Russell 3000 Growth Index); Developed markets (FTSE Developed All Cap ex-US Index), Emerging markets (FTSE Emerging Markets All Cap China A Inclusion Index)

Bonds mostly decline over the last 3 months

- Spreads widened to reduce credit bonds returns over trailing 3 months
- The U.S. Treasury yield curve has experienced a “bear flattening” over the past 12 months reducing bond returns
- Unhedged international bonds typically display more return volatility due to currency fluctuations, and during this period strong gains due to a weaker dollar

Global fixed income market returns as of March 31, 2018 (%)



Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: Barclays, FTSE, MSCI, Russell, and Dow Jones.
Treasuries-Government-Investment Grade Corporates-High Yield (Barclays US Treasury/Government/Credit/Corporate High Yield Indices); Short-Inter-Long-term Treasuries (Barclays US 1-5/5-10/Long Year Treasury Indices)
International Bonds Hedged (Barclays Global Aggregate ex-USD Float Adj. RIC Cap Index hedged) Unhedged (Barclays Global Aggregate ex-USD Index)

Market leadership changes

- Emerging markets equities appeared at both the top and bottom multiple times, demonstrating the relatively high volatility level of single asset classes
- The balanced portfolio generally falls near the middle, demonstrating the volatility dampening effect of high-grade fixed income

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-Year Average
IB 5.7	Emg 85.2	REIT 28.5	REIT 8.7	Emg 18.1	Sml 38.8	REIT 30.4	Grw 5.1	Sml 21.3	Emg 31.1	Grw 9.9
Bnd 5.2	HY 58.2	Sml 26.9	Bnd 7.8	REIT 17.8	Grw 34.2	Lrg 13.2	REIT 2.5	Val 18.4	Grw 29.6	Sml 8.7
T-Bill 1.8	Grw 37.0	Emg 19.8	HY 5.0	Val 17.5	Lrg 33.1	Val 12.7	IB 1.4	HY 17.1	Dev 26.3	Lrg 8.6
HF -23.3	Dev 36.7	Grw 17.6	IB 3.9	Dev 17.4	Val 32.7	Grw 12.4	Lrg 0.9	Lrg 12.1	Lrg 21.7	HY 8.0
Bal -24.6	REIT 28.6	Cmd 16.7	Grw 2.2	Lrg 16.4	Dev 20.5	IB 8.8	Bnd 0.5	Cmd 11.4	Bal 16.5	REIT 7.4
HY -26.2	Lrg 28.4	Val 16.2	Lrg 1.5	Sml 16.4	Bal 16.8	Bal 6.4	T-Bill 0.0	Emg 10.3	Sml 14.6	Val 7.2
Sml -33.8	Sml 27.2	Lrg 16.1	T-Bill 0.1	HY 15.8	HY 7.4	Bnd 6.0	Bal -0.6	REIT 8.6	Val 13.2	Bal 6.2
Val -36.3	Bal 24.7	HY 15.1	Val -0.1	Grw 15.2	HF 6.7	Sml 4.9	Dev -1.8	Grw 7.4	HY 7.5	IB 4.2
Cmd -36.6	Val 19.8	Bal 12.1	Bal -0.9	Bal 12.7	REIT 2.5	Emg 2.6	HF -3.6	Bal 7.3	HF 6.0	Bnd 4.0
Lrg -37.6	Cmd 18.7	Dev 11.2	Sml -4.2	IB 6.5	IB 1.2	HY 2.5	Val -4.1	IB 4.9	REIT 5.1	Dev 2.5
REIT -38.0	HF 13.4	Bnd 6.5	HF -8.9	Bnd 4.2	T-Bill 0.1	T-Bill 0.0	Sml -4.4	Dev 3.1	Bnd 3.5	Emg 1.8
Grw -38.4	Bnd 5.9	HF 5.2	Dev -12.7	HF 3.5	Bnd -2.0	HF -0.6	HY -4.5	Bnd 2.6	IB 2.5	T-Bill 0.3
Dev -44.2	IB 4.4	IB 3.3	Cmd -13.4	T-Bill 0.1	Emg -3.2	Dev -4.4	Emg -13.5	HF 2.5	T-Bill 0.8	HF -0.4
Emg -54.2	T-Bill 0.2	T-Bill 0.1	Emg -20.0	Cmd -1.1	Cmd -9.6	Cmd -17.0	Cmd -24.7	T-Bill 0.3	Cmd 0.7	Cmd -7.1

Val	Value oriented U.S. based stocks (Russell 3000 Value Index)
Grw	Growth oriented U.S. based stocks (Russell 3000 Growth Index)
Lrg	Large U.S. based stocks (Russell 1000 Index)
Sml	Small U.S. based stocks (Russell 2000 Index)
Dev	International stocks from developed countries (FTSE Developed All Cap ex US Index)
Emg	International stocks from emerging countries (FTSE Emerging ACap CN A Inclus Idx)
Bnd	Investment-grade U.S. bonds (BloomBarc US Aggregate Bond Index)
HY	High-yield U.S. bonds (BloomBarc US Corp High Yield Index)
IB	Investment-grade international bonds (BloomBarc GA ex-USD Index Hedged)
T-Bill	Short-term Treasury rates (Citigroup 3-Month US T-Bill Index)
REIT	U.S. public equity real estate (REIT) (MSCI US REIT Index)
Cmd	Commodities (Bloomberg Commodity Index)
HF	Hedge funds (HFRX Global Hedge Fund Index*)
Bal	Balanced Static Composite (39% U.S. stocks**, 26% Int'l stocks†, 24.5% Invest-grade U.S. bonds††, 10.5% Invest-grade Int'l bonds††)

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Source: Vanguard. Last observation: December 31, 2017; 10-year average performance from December 31, 2008 through December 31, 2017.
* Source: Hedge Fund Research, Inc.
** U.S. stocks: MSCI US Broad Market Index.
† International Stocks: FTSE Global All Cap ex-US Index.
†† Bonds: BloomBarc US Aggregate Bond Index and BloomBarc GA ex-USD Index Hedged.

Portfolio performance and asset allocation

Market Performance

Periods Ending March 31, 2018

Name	Mar-18	Last 3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
US Equity						
CRSP US Total Market TR USD	-2.0	-0.6	13.9	10.2	13.0	9.7
S&P 500	-2.5	-0.8	14.0	10.8	13.3	9.5
S&P 400 MidCap	0.9	-0.8	11.0	9.0	12.0	10.9
S&P 600 SmallCap	2.0	0.6	12.7	10.8	13.6	11.4
International Equity						
MSCI Emerging Markets	-1.9	1.4	24.9	8.8	5.0	3.0
MSCI Emerging Markets NR LCL	-1.9	0.7	22.0	9.0	8.3	5.4
MSCI EAFE	-1.8	-1.5	14.8	5.6	6.5	2.7
MSCI EAFE NR LCL	-2.2	-4.3	5.3	3.4	8.5	4.5
MSCI ACWI ex USA	-1.8	-1.2	16.5	6.2	5.9	2.7
Fixed Income Domestic						
BBgBarc US Aggregate TR	0.6	-1.5	1.2	1.2	1.8	3.6
BBgBarc US Corporate 1-5 Years TR	0.0	-0.8	0.8	1.5	1.8	3.5
BBgBarc US Credit/Corp 5-10 Yr TR	0.1	-2.4	1.7	2.3	2.9	5.7
BBgBarc US Corporate Long TR	0.7	-4.0	6.1	3.3	4.8	7.7
BBgBarc US Govt/Credit Long TR	1.7	-3.6	5.1	2.1	4.1	6.8
BBgBarc US Treasury Strips 20-30 Yr Equal Parity TR	4.4	-4.5	6.5	0.1	5.1	7.8
BBgBarc US High Yield TR	-0.6	-0.9	3.8	5.2	5.0	8.3
BBgBarc US Govt TR	0.9	-1.1	0.4	0.5	1.1	2.7
BBgBarc US Credit TR	0.3	-2.1	2.6	2.2	2.8	5.1
BBgBarc US Treasury 1-5 Yr TR	0.3	-0.4	-0.1	0.4	0.6	1.6
BBgBarc US Treasury 5-10 Yr TR	1.0	-1.5	-0.3	0.5	1.0	3.5
BBgBarc US Treasury Long TR	3.0	-3.3	3.5	0.4	3.3	5.8
BBgBarc US Treasury TIPS 0-5 Yr TR	0.5	0.2	0.4	1.2	0.1	1.5
BBgBarc US TIPS TR	1.1	-0.8	0.9	1.3	0.0	2.9
Fixed Income International						
BBgBarc Global Aggregate ex US Tres Hedged TR	1.0	0.9	3.4	2.5	3.7	4.2
BBgBarc Emerging Markets TR	0.1	-1.5	3.2	5.1	3.9	6.8
REIT						
MSCI US REIT Gross	3.9	-8.1	-4.4	0.9	5.9	6.3

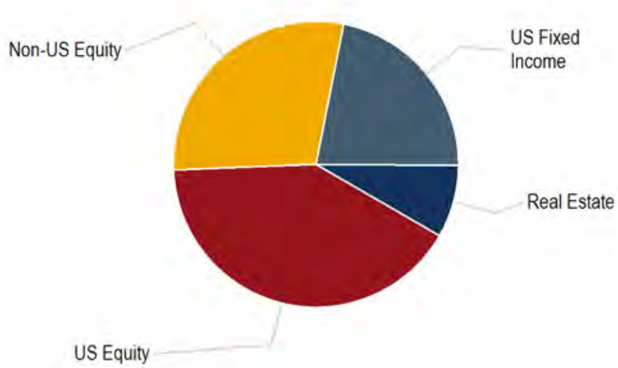
Total Portfolio Performance & Asset Allocation

Performance Summary

	Market Value ($)	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
	Ending March 31, 2018								
COMMUNITY FOUNDATION FOR MUSKEGON COUNTY	**173,280,974**	**-0.53**	**-1.55**	**9.63**	**6.25**	**--**	**--**	**6.70**	**Apr-14**
COMMUNITY FOUNDATION FOR MUSKEGON COUNTY (Net)		**-0.53**	**-1.56**	**9.57**	**6.20**	**--**	**--**	**6.65**	
Composite Benchmark		-0.72	-1.70	9.27	6.05	--	--	6.53	Apr-14

- Composite Benchmark = 39% Spliced Total Stock Market Index / 27% Spl Total International Stock Index / 25% Spliced BBgBarc USAgg Float Adj Ix / 9% Real Estate Spliced Index

Current Allocation as of March 31, 2018



	Current $	Current %	Policy	Difference*
US Equity	$71,069,013	41.0%	39.0%	2.0%
Non-US Equity	$49,778,688	28.7%	28.0%	0.7%
US Fixed Income	$38,167,028	22.0%	25.0%	-3.0%
Real Estate	$14,266,245	8.2%	8.0%	0.2%
Total	**$173,280,974**	**100.0%**	**100.0%**	

*Difference between Policy and Current Allocation

Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any purchase or redemption fees.

Performance Summary (Gross of Advisory Fees)

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
			Ending March 31, 2018							
COMMUNITY FOUNDATION FOR MUSKEGON COUNTY	**173,280,974**	**100.00**	**-0.53**	**-1.55**	**9.63**	**6.25**	**--**	**--**	**6.70**	**Apr-14**
Composite Benchmark			-0.72	-1.70	9.27	6.05	--	--	6.53	Apr-14
MUSKEGON COUNTY SPLICED TOTAL			-0.75	0.12	11.83	6.29	--	--	4.97	Apr-14
Total Equity	**120,847,701**	**69.74**	**-1.43**	**-0.54**	**15.15**	**8.93**	**--**	**--**	**8.48**	**Apr-14**
Equity Domestic	**71,069,013**	**41.01**	**-1.98**	**-0.60**	**13.86**	**10.21**	**--**	**--**	**10.96**	**Apr-14**
Spliced Total Stock Market Index			-1.98	-0.60	13.87	10.21	13.03	9.74	10.96	Apr-14
Vanguard® Total Stock Market Index Fund Institutional Shares	71,069,013	41.01	-1.98	-0.60	13.85	10.20	13.02	9.75	10.95	Apr-14
Spliced Total Stock Market Index			-1.98	-0.60	13.87	10.21	13.03	9.74	10.96	Apr-14
Multi-Cap Core Funds Average			-1.56	-0.82	12.05	7.65	10.78	7.76	8.44	Apr-14
Equity International	**49,778,688**	**28.73**	**-0.63**	**-0.45**	**17.07**	**6.95**	**--**	**--**	**4.66**	**Apr-14**
Spl Total International Stock Index			-1.67	-1.14	16.73	6.78	6.39	2.84	4.65	Apr-14
Vanguard® Total International Stock Index Fund Inst Shares	49,778,688	28.73	-0.63	-0.45	17.08	6.95	6.43	2.85	4.65	Apr-14
Spl Total International Stock Index			-1.67	-1.14	16.73	6.78	6.39	2.84	4.65	Apr-14
International Funds Average			-0.76	-0.61	16.62	6.15	6.43	2.67	4.16	Apr-14
Total Fixed Income	**38,167,028**	**22.03**	**0.63**	**-1.47**	**1.12**	**1.13**	**--**	**--**	**2.05**	**Apr-14**
Fixed Income Domestic	**38,167,028**	**22.03**	**0.63**	**-1.47**	**1.12**	**1.13**	**--**	**--**	**2.05**	**Apr-14**
Spliced BBgBarc USAgg Float Adj Ix			0.64	-1.48	1.24	1.20	1.82	3.65	2.13	Apr-14
Vanguard® Total Bond Market Index Fund Institutional Shares	38,167,028	22.03	0.63	-1.47	1.13	1.13	1.75	3.59	2.08	Apr-14
Spliced BBgBarc USAgg Float Adj Ix			0.64	-1.48	1.24	1.20	1.82	3.65	2.13	Apr-14
Spl Interm Inv-Grade Debt Funds Avg			0.45	-1.44	1.11	1.11	1.63	3.52	1.88	Apr-14
Total Real Estate	**14,266,245**	**8.23**	**3.86**	**-8.07**	**-4.45**	**0.79**	**--**	**--**	**5.40**	**Apr-14**
Real Estate Domestic	**14,266,245**	**8.23**	**3.86**	**-8.07**	**-4.45**	**0.79**	**--**	**--**	**5.40**	**Apr-14**
Real Estate Spliced Index			3.82	-8.06	-4.35	0.89	5.86	6.50	5.51	Apr-14
Vanguard® Real Estate Index Fund Institutional Shares	14,266,245	8.23	3.86	-8.07	-4.45	0.79	5.78	6.54	5.41	Apr-14
Real Estate Spliced Index			3.82	-8.06	-4.35	0.89	5.86	6.50	5.51	Apr-14

Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any purchase or redemption fees.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

Performance Summary (Gross of Advisory Fees)

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
			Ending March 31, 2018							
Real Estate Funds Average			3.36	-6.74	-2.22	1.09	5.53	5.69	5.35	Apr-14

Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any purchase or redemption fees.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

Benchmark History

As Of March 31, 2018

COMMUNITY FOUNDATION FOR MUSKEGON COUNTY		
4/1/2018	Present	39% Spliced Total Stock Market Index / 28% Spl Total International Stock Index / 25% Spliced BBgBarc USAgg Float Adj Ix / 8% Real Estate Spliced Index
3/1/2018	3/31/2018	39% Spliced Total Stock Market Index / 27% Spl Total International Stock Index / 25% Spliced BBgBarc USAgg Float Adj Ix / 9% Real Estate Spliced Index
9/1/2017	2/28/2018	39% Spliced Total Stock Market Index / 26% Spl Total International Stock Index / 25% Spliced BBgBarc USAgg Float Adj Ix / 10% REIT Spliced Index
8/1/2017	8/31/2017	38% Spliced Total Stock Market Index / 25.33% Spl Total International Stock Index / 26.67% Spliced BBgBarc USAgg Float Adj Ix / 10% REIT Spliced Index
7/1/2017	7/31/2017	37.5% Spliced Total Stock Market Index / 25% Spl Total International Stock Index / 27.5% Spliced BBgBarc USAgg Float Adj Ix / 10% REIT Spliced Index
5/1/2014	6/30/2017	10% REIT Spliced Index / 30% Spliced BBgBarc USAgg Float Adj Ix / 24% Spl Total International Stock Index / 36% Spliced Total Stock Market Index
Total Equity		
		N/A
Equity Domestic		
4/30/2014	Present	100% CRSP US Total Market TR USD
Vanguard® Total Stock Market Index Fund Institutional Shares		
4/30/2014	Present	100% CRSP US Total Market TR USD
Equity International		
4/30/2014	Present	100% FTSE Global All Cap ex US Index
Vanguard® Total International Stock Index Fund Inst Shares		
4/30/2014	Present	100% FTSE Global All Cap ex US Index
Total Fixed Income		
		N/A
Fixed Income Domestic		
4/30/2014	Present	100% BBgBarc US Aggregate Float Adjusted TR
Vanguard® Total Bond Market Index Fund Institutional Shares		
4/30/2014	Present	100% BBgBarc US Aggregate Float Adjusted TR
Total Real Estate		

Benchmark History

As Of March 31, 2018

		N/A
Real Estate Domestic		
1/26/2018	Present	100% MSCI US IM Real Est 25/50 Tran Idx
4/30/2014	1/25/2018	100% MSCI US REIT Gross
Vanguard® Real Estate Index Fund Institutional Shares		
1/26/2018	Present	100% MSCI US IM Real Est 25/50 Tran Idx
4/30/2014	1/25/2018	100% MSCI US REIT Gross

Asset allocation summary of CFMC VIAS composite portfolio
As of March 31, 2018

	Market value as of March 31, 2018	March target allocation	Actual weight	Variance	Policy target allocation	Variance (%)	Variance ($)
Domestic equity							
Total Stock Market Index Fund Institutional Shares	$71,069,013	39.0%	39.6%	0.6%	39.0%	0.6%	$1,001,002
Domestic equity subtotal	*$71,069,013*	*39.0%*	*39.6%*	*0.6%*	*39.0%*	*0.6%*	
International equity							
Total International Stock Index Fund Institutional Shares	$49,778,688	28.0%	27.7%	–0.3%	31.0%	–3.3%	–$5,916,398
International equity subtotal	*$49,778,688*	*28.0%*	*27.7%*	*–0.3%*	*31.0%*	*–3.3%*	
Fixed income							
Total Bond Market Index Fund Institutional Shares	$38,167,028	25.0%	24.8%	–0.2%	25.0%	–0.2%	–$367,770
Total Bond Market ETF (held at PNC in pledge)*	$6,380,593						
Fixed income subtotal	*$44,547,621*	*25.0%*	*24.8%*	*–0.2%*	*25.0%*	*–0.2%*	
Other investments							
REIT Index Fund	$14,266,245	8.0%	7.9%	–0.1%	5.0%	2.9%	$5,283,166
Other investments subtotal	*$14,266,245*	*8.0%*	*7.9%*	*–0.1%*	*5.0%*	*2.9%*	
Total portfolio	**$179,661,567**	**100.0%**	**100.0%**		**100.0%**		

* Total Bond Market ETF market value is reported by Community Foundation for Muskegon County staff.

Quarterly summary of combined historical performance
As of March 31, 2018

					Annualized returns						Calendar return			
	QTR		**YTD**	**1 year**	**3 year**	**5 year**	**10 year**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
CFMC Composite Portfolio	–1.56	–1.56	9.58	6.21	7.15	5.58	16.50	7.67	–0.42	5.68	12.35	12.21	–3.47	13.95
*CFMC Composite Benchmark**	–1.70	–1.70	9.25	6.05	7.98	6.67	15.96	7.59	–0.20	7.08	19.26	12.92	0.70	12.98

Notes:
Composite performance data consists of previous providers' portfolio and benchmark returns through April 2014; VIAS returns thereafter. Data prior to May 2014 is based upon information taken from the previous providers' quarterly performance reports and is provided as an estimate only. Composite does not include segregated accounts or pledge holdings.
Return calculations are derived from Morningstar Direct.
* Composite Benchmark allocations over time:
50% S&P 500 / 10% Russell 2000 / 10% MSCI EAFE / 30% LB AGG from March 2004 to March 2005;
45% S&P 500 / 12.5% Russell 2000 / 12.5% MSCI EAFE / 30% LB AGG from March 2005 to December 2007;
55% Russell 3000 / 15% MSCI AC World Index ex-US / 30% LB AGG from December 2007 to December 2008;
55% Russell 3000 / 15% MSCI AC World Index ex-US / 30% Barclays AGG from December 2008 to April 2014;
36% Spliced Total Stock Market Index (CRSP US Total Market Index) / 30% Spliced Barclays US Agg Float-Adj Ix (Barclays U.S. Aggregate Float Adjusted Index)/24% Spliced Total Int'l Stock Index (FTSE Global All Cap ex US Index) / 10% REIT Spliced Index (MSCI US REIT Index) from May 2014 to June 2017.
39% Spliced Total Stock Market Index (CRSP US Total Market Index) / 25% Spliced Barclays US Agg Float-Adj Ix (Barclays U.S. Aggregate Float Adjusted Index)/26% Spliced Total Int'l Stock Index (FTSE Global All Cap ex US Index) / 10% REIT Spliced Index (MSCI US REIT Index) since July 2017

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For more information about Vanguard funds or non-Vanguard funds offered through Vanguard Brokerage Services, visit vanguard.com or call your Investment Consultant or Relationship Manager to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing. Total Portfolio Net of Fees returns reflect the deduction of fund expense ratios, purchase or redemption fees, and any advisory service fee applied to the client portfolio.

Total Portfolio returns represent client-specific time-weighted returns (TWR) are presented gross of any applicable service fees with the exception of mutual fund expense ratios and other security-level expenses.

Client performance inception date is generally the first month-end after initial funding. Mutual funds and all investments are subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss.

Performance figures assume the reinvestment of dividends and capital gains distributions. The fund performance percentages are based on fund total return data, adjusted for expenses, obtained from Lipper, a Thomson Reuters Company. The total return data was not adjusted for fees and loads.

Benchmark comparative indexes represent unmanaged or average returns on various financial assets, which can be compared with funds' total returns for the purpose of measuring relative performance.

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The performance data shown represents 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. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. For performance data current to the most recent quarter-end, visit our website at www.vanguard.com/performance.

Economic and market outlook

Broad strokes

1. **Growth:** Broad-based firmness in global economic fundamentals suggests a continuation of synchronized growth. Consensus expectations have settled on modest growth and tepid inflation over the long term, although risks lie in underestimating the possibility of cyclical deviations.

2. **Inflation:** While inflation is not expected to exceed central banks' 2% targets in 2018, the movement toward that point could be faster than anticipated. Tightening labor markets, strong global growth, and a nadir in commodity prices could contribute to a global inflation push.

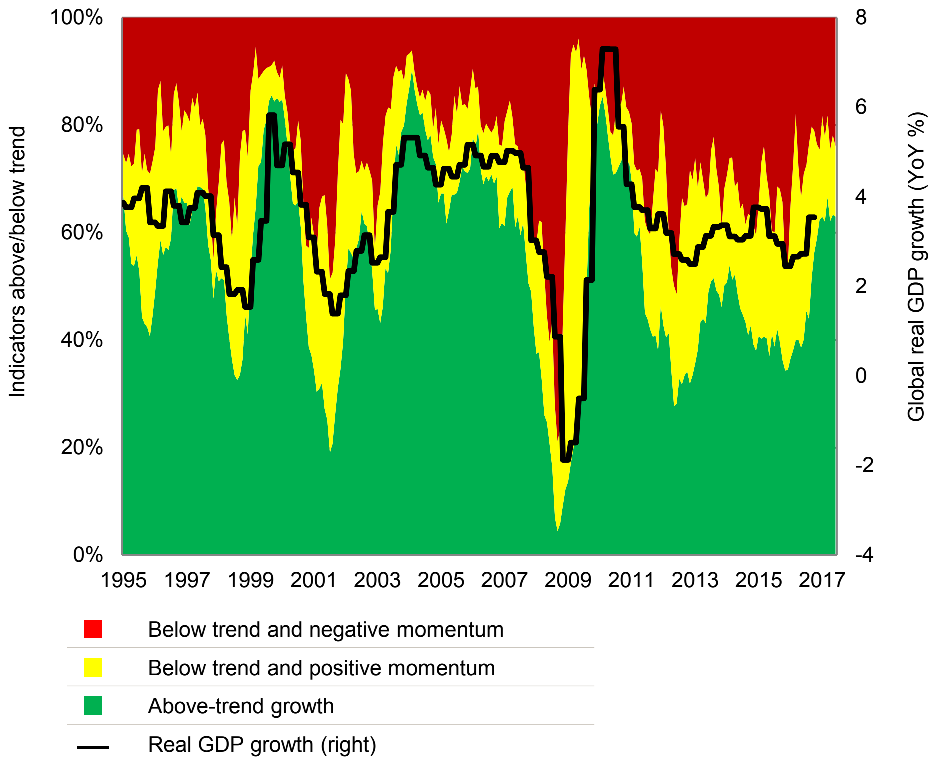
3. **Policy and interest rates**: The risk in 2018 is that a higher-than-expected bounce in wages or continued strengthening in the labor markets – at a point when 80% of major economies are at full employment – may lead markets to price in a more aggressive path of global monetary normalization. The most likely candidate is the United States, where the Federal Reserve is increasingly likely to raise rates to 2% by the end of 2018.

4. **Global Asset Returns**: For 2018 and beyond, our investment outlook is one of higher risks and lower returns. Elevated valuations, low volatility, and secularly low bond yields are unlikely to be allies for robust financial market returns over the next five years. Downside risks are more elevated in the equity market than in the bond market, even with higher-than-expected inflation.

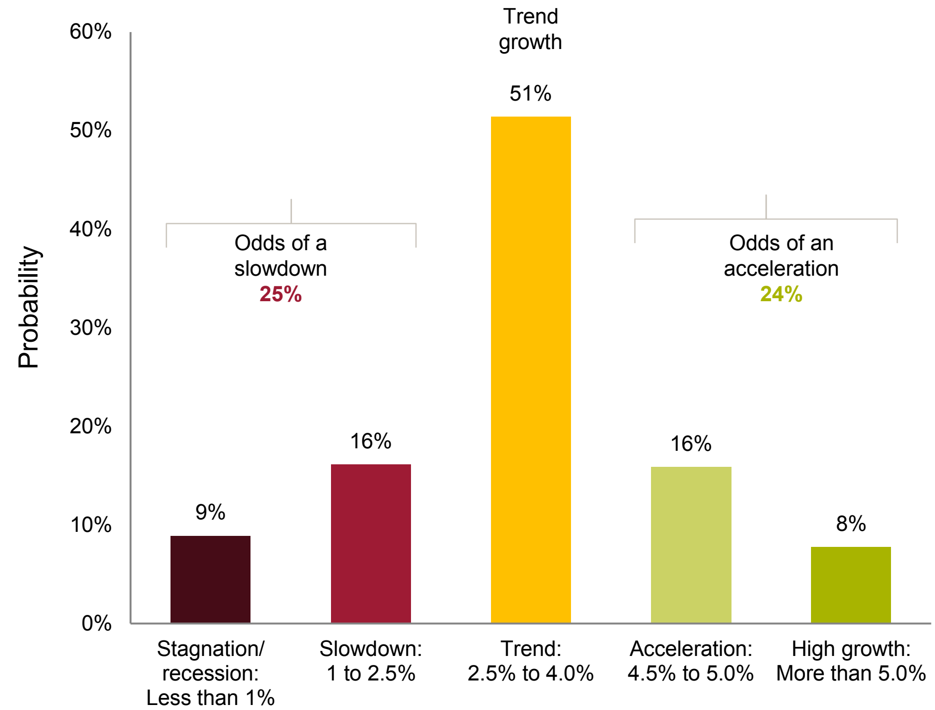
Source: Vanguard.

Global growth outlook: Strong economic fundamentals

Global economic indicators support modest growth but policy risks remain elevated



Global growth estimate for 2018 is higher than previous year

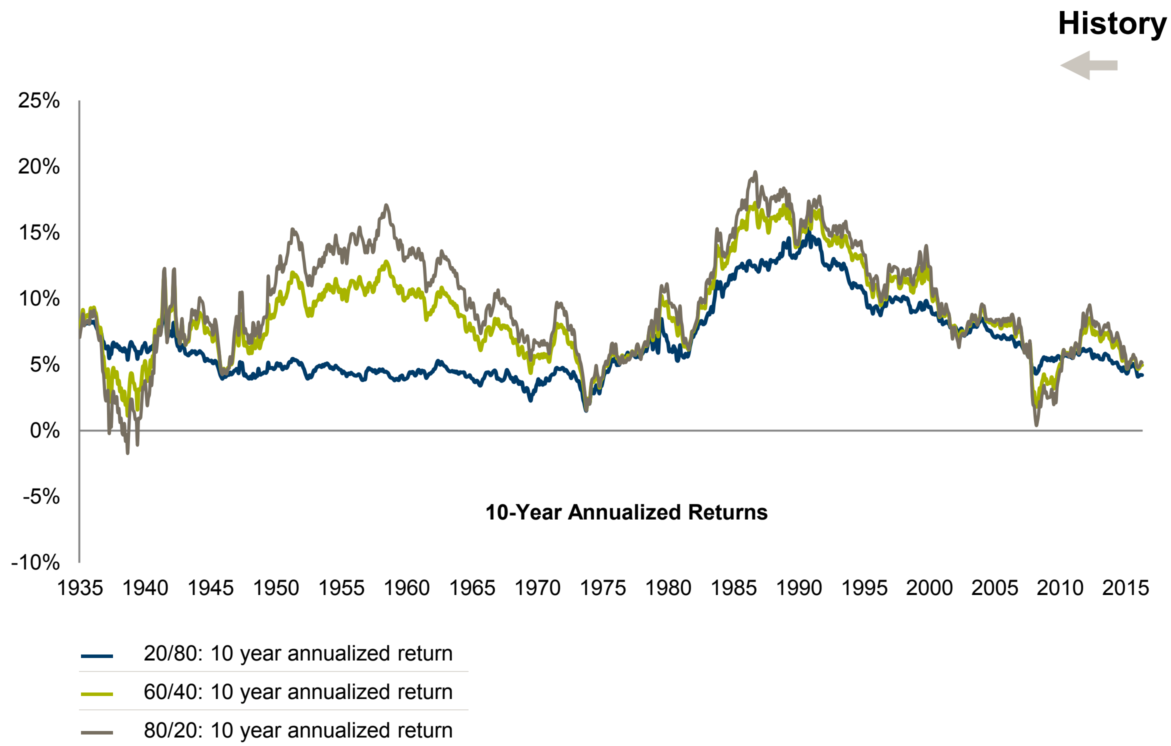


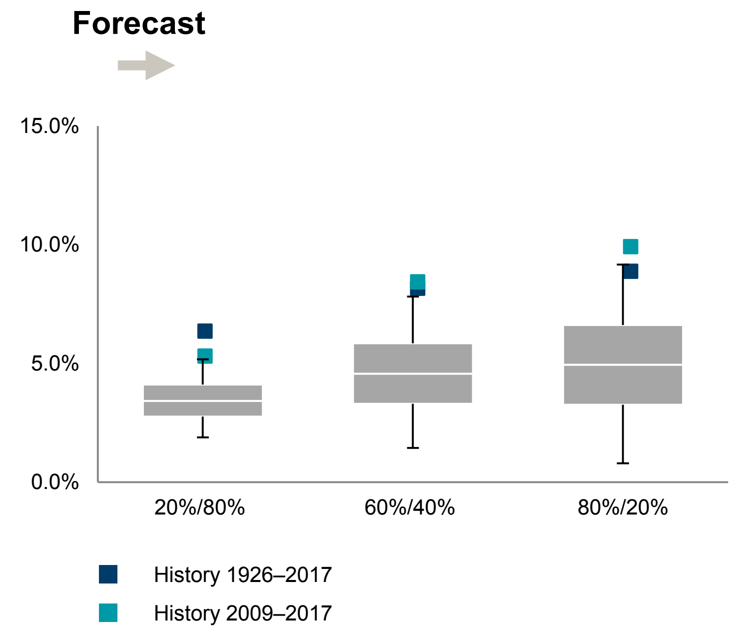
Above-trend growth: Business surveys and manufacturing in emerging markets, consumer confidence in DM and China, financial markets in the US
Below trend, but positive momentum: Bank lending in Asia, labor markets and business surveys in developed markets
Below trend and negative momentum: Housing in Canada and UK, manufacturing in developed markets

Sources: Right chart; Vanguard calculations, based on data from IMF and Thomson Reuters Datastream. Left chart; Vanguard.
Notes: Distribution of growth outcomes generated by bootstrapping the residuals from a regression based on a proprietary set of leading economic indicators and historical data, estimated from 1990 to 2015 and adjusting for the time-varying trend growth rate.

Global asset returns: A guarded view given global crosscurrents of low yields and equity valuations

Historical and projected ten-year nominal return outlook for balanced portfolios





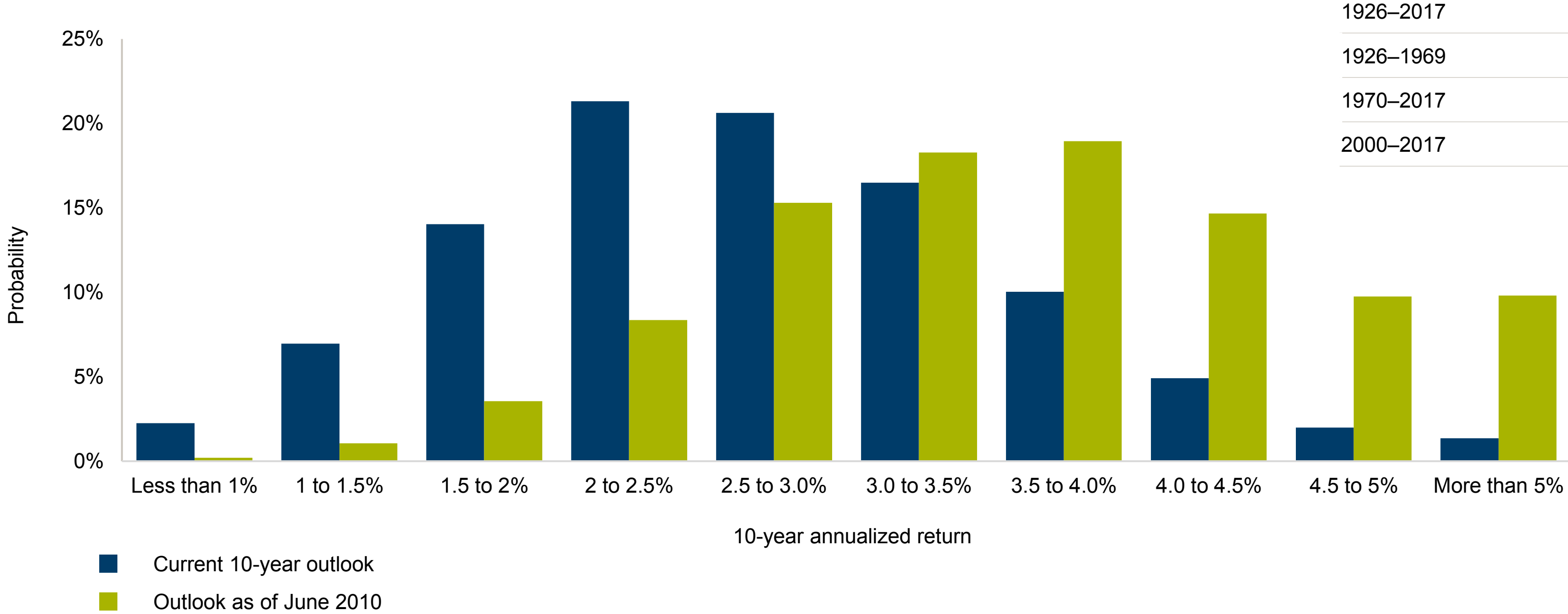
IMPORTANT: The projections or other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from the VCMM are derived from 10,000 simulations for each modeled asset class in USD. Simulations are as of September 30, 2017. Results from the model may vary with each use and over time. For more information, please see the Important Information slide.

Sources: Vanguard.
Notes: Forecast displays 5th/25th/50th/75th/95th percentile ranges of 10,000 VCMM simulations for projected ten-year annualized nominal returns in USD. The equity portfolio is 60% U.S. equity and 40% global ex-U.S. equity. The bond portfolio is 70% U.S. bonds and 30% global ex-U.S. bonds. Data used for historical returns is as of June 30, 2017. For details on benchmarks used for historical returns, see "Indexes used in our historical calculations," on page 5 of 2017 economic and market outlook: Stabilization, not stagnation (Davis et. al 2016).

Projected global fixed income ten-year return outlook

VCMM-simulated distribution of expected average annualized nominal return of total fixed income market as of June 2010 and September 2017

Global bonds 70% US / 30% Global Ex US



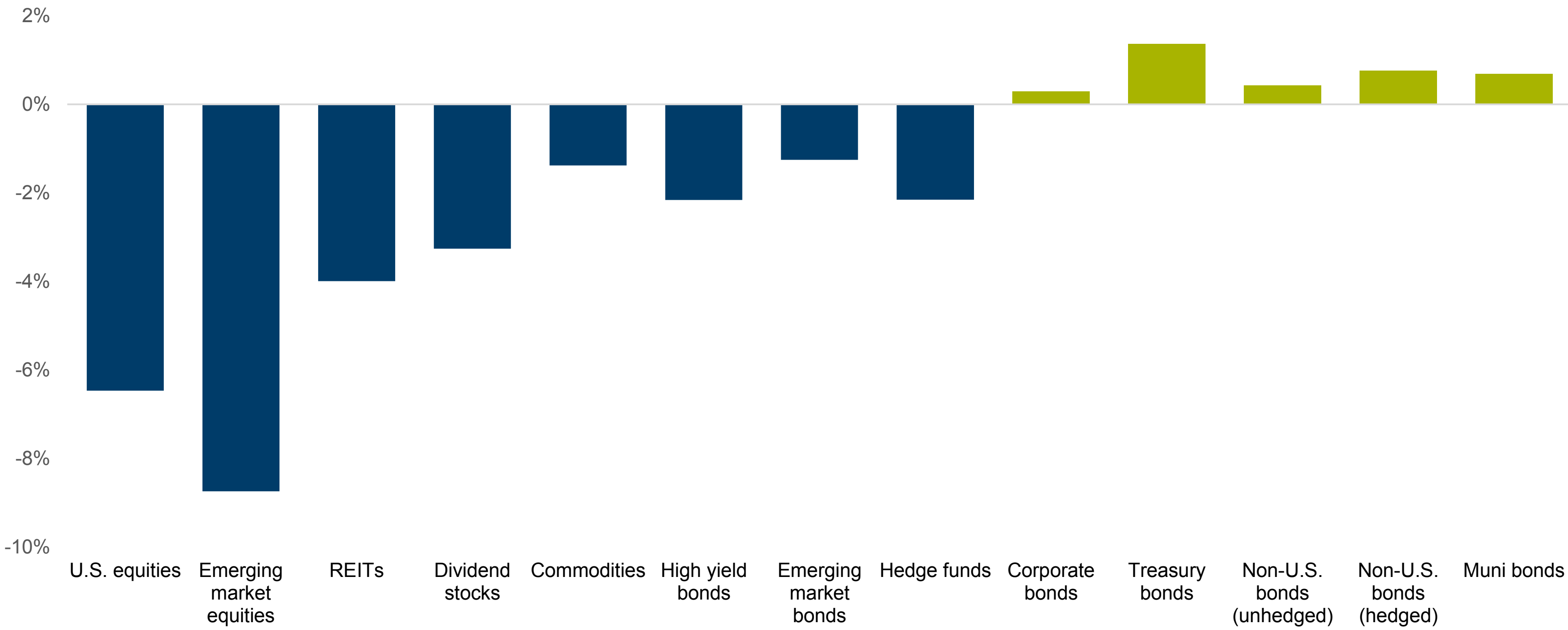
Global bond returns	
1926–2017	5.3%
1926–1969	3.1%
1970–2017	7.4%
2000–2017	4.7%

IMPORTANT: The projections or other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from VCMM, derived from 10,000 simulations for global equity returns and fixed income returns in USD. Simulations as of September 30, 2017. Results from the model may vary with each use and over time. For more information, please see the Important Information slide.

Source: Vanguard.
Note: Figure displays projected range of returns for a portfolio of 70% U.S. bonds and 30% ex-U.S. bonds, rebalanced quarterly.
For details, see *Vanguard's economic and investment outlook* (Davis, Aliaga-Diaz, Westaway, Wang, Patterson, and Ahluwalia 2016).

Bonds can provide ballast in an equity bear market

Median return of various asset classes during the worst decile of monthly equity returns 1988-2017



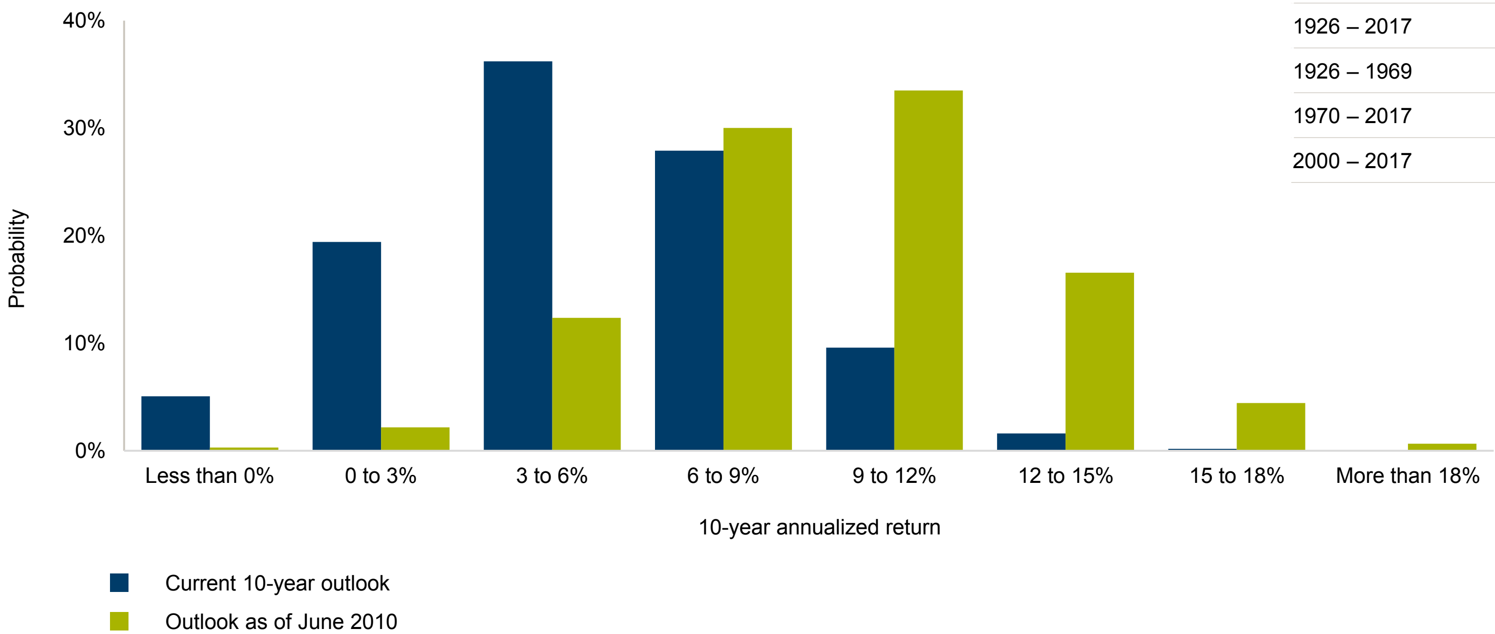
Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: Vanguard calculations based on data from Thomson Reuters Datastream, Bloomberg Barclays, HFRI, MSCI, FTSE, CRSP, S&P, and Dow Jones.
Notes: U.S. stocks represented by Dow Jones U.S. Total Stock Market Index through April 2005, MSCI US Broad Market Index through June 2013 and CRSP US Total Market Index thereafter; emerging markets stocks are represented by MSCI Emerging Markets Index; REITs by FTSE NAREIT Equity REIT Index; dividend stocks by Dow Jones U.S. Select Dividend Index; commodities by S&P GSCI Commodity Index; high yield bonds by Bloomberg Barclays U.S. Corporate High Yield Bond Index; emerging markets bonds by Bloomberg Barclays EM USD Aggregate Index; investment-grade corporate bonds by Bloomberg Barclays U.S. Corporate Index; U.S. Treasury bonds by Bloomberg Barclays U.S. Treasury Bond Index; Hedge fund index by HFRI fund-weighted total return Index and international bonds by Bloomberg Barclays Global Aggregate ex-USD Bond Index. The Dow Jones U.S. Select Dividend Index starts in January 1992; Bloomberg Barclays EM USD Aggregate Index starts in January 1993; hedge fund data start in 1994 and Bloomberg Barclays Global Aggregate ex USD Bond Index starts in January 1990. All data provided through December 31, 2017.

Projected global equity ten-year return outlook

VCMM-simulated distribution of expected average annualized nominal return of global equity market as of June 2010 and September 2017

Global equity 60% US / 40% Global Ex US



Global equity returns	
1926 – 2017	10.0%
1926 – 1969	9.7%
1970 – 2017	10.3%
2000 – 2017	4.6%

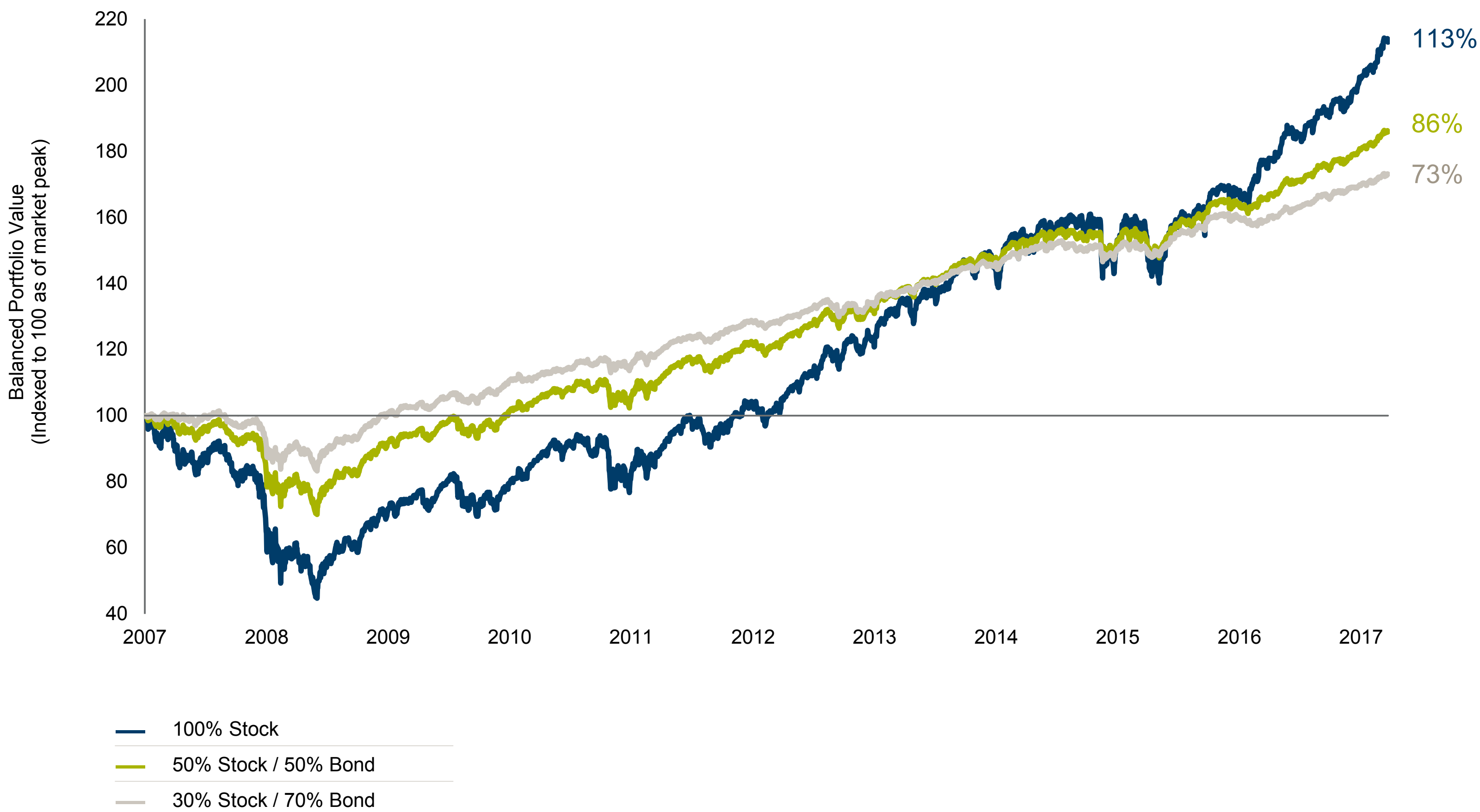
IMPORTANT: The projections or other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from the VCMM are derived from 10,000 simulations for global equity returns in USD. Simulations are as of September 30, 2017. Results from the model may vary with each use and over time. For more information, please see the Important Information slide.

Source: Vanguard.

Notes: Figure displays projected range of potential returns for portfolios of 60% U.S./40% ex-U.S. equities unhedged in USD, rebalanced annually. For details on benchmarks used for historical returns, see "Indexes used in our historical calculations," on page 5 of 2017 economic and market outlook: Stabilization, not stagnation (Davis et. al 2016).

The benefits of long-term perspective, balance and diversification

A balanced diversified investor has fared relatively well



Sources: Vanguard calculations based on data from FactSet.
Notes: Each balanced portfolio represented by the mixture of equity and fixed income from the following indices: S&P 500 Total Return Index for equities and Bloomberg Barclays U.S. Aggregate Bond Index for fixed income. Each portfolio is constructed using historical daily data implemented with a monthly rebalancing scheme. Data as of September 30, 2017. Past performance is no guarantee of future returns.

Themes and outlook

	Global	U.S.	Europe	Asia
Growth	• Broad-based firmness in economic fundamentals globally suggests a continuation of the recent trend of synchronized growth. Consensus expectations have settled on a view of modest growth and tepid inflation, though risks lie in mistaking this trend for the cycle. • The most pronounced risk in 2018 is a further tightening of the labor market that leads to a cyclical uptick in inflation.	• A powerful combination of tight labor markets, strong financial market returns, increasing housing values, improving access to credit, and the end of the housing deleveraging cycle are driving both the consumer and investment engines of economic growth. Rebound in labor productivity as job growth slows. • We anticipate growth of about 2.5% in 2018.	• During the next 12 months, the outlook for the euro-area economy is brighter than it's been in 10 years with growth expectations just under 2.0%. The forecast for the United Kingdom, on the other hand, is less certain given the lack of clarity around Brexit.	• Alongside tighter property regulations and supply-side adjustments, the financial tightening is likely to cause China to decelerate modestly in 2018, with growth at about 6.0%–6.5. However, we do not anticipate a Chinese "hard landing" in 2018. • We expect Japan's recovery to become more broad-based in 2018, with the country enjoying another year of above-trend growth.
Inflation	• While inflation is not expected to exceed central banks' 2% targets in 2018, the movement toward that point could be faster than anticipated. • Tightening labor markets, global growth, and a nadir in commodity prices could contribute to push global inflation higher.	• We believe that in 2018, the growing impact of cyclical factors such as tightening labor markets, as well as stable and broader global growth may lead to wage and price inflation stronger than currently anticipated by the financial markets.	• Though recently quite subdued in Europe and the U.K., we expect that inflation will resurface somewhat as unemployment continues to fall toward the equilibrium rate, which is assumed to be 8.5%¬–9% in the euro area and as low as 4% in the United Kingdom.	• The key for China is the ability to relax government control and allow market forces to play a bigger role in the economy and address the inefficiencies created by state-owned enterprises. • In Japan, core inflation is likely to increase gradually to 1%.
Policy and interest rates	• The risk in 2018 is that a higher-than-expected bounce in wages—at a point when 80% of major economies (weighted by output) are at full employment—may lead markets to price in a more aggressive path or pace of global monetary policy normalization.	• The most likely candidate of a potentially more aggressive pace of monetary policy normalization is the United States, where the Federal Reserve is expecting to raise rates to at least 2% by the end of 2018, a more rapid pace than anticipated by the bond market.	• In an environment of tightening product and labor markets, we expect the European Central Bank to terminate its asset purchase by the end of 2018. We do not anticipate rate increases until at least 2019. • In the United Kingdom, the policy outlook for the Bank of England is challenging over the coming years, especially in light of Brexit.	• Tighter financial controls and a rebound in nominal growth have helped stunt a rise in corporate liabilities. While this bodes well for China's medium-term goal of maintaining financial stability, it could have a negative impact on short-term growth.

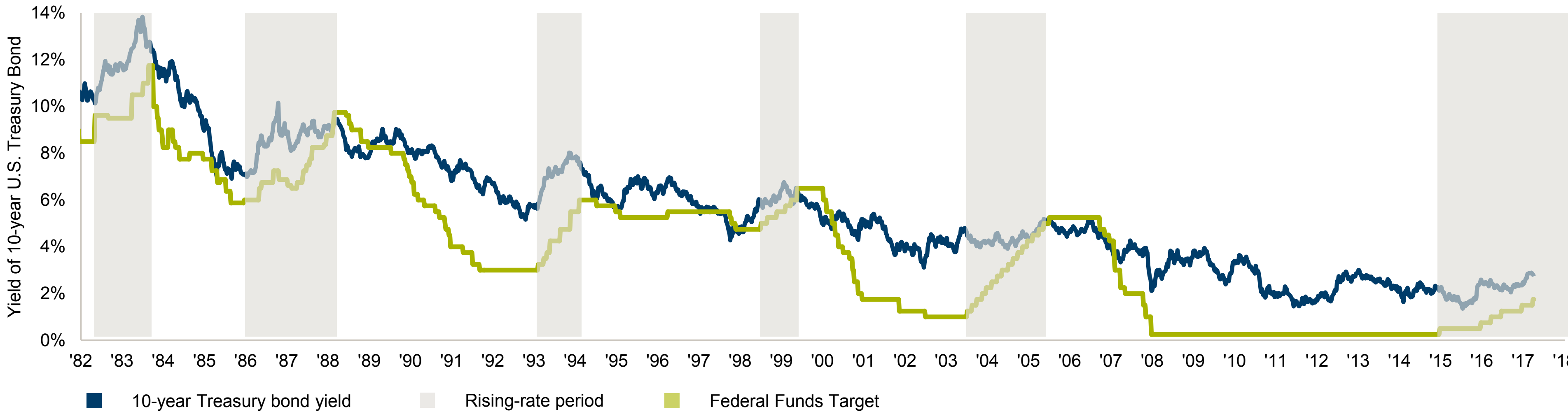
	Balanced	Equities	Bonds
Asset returns (Global)	• A guarded view given global crosscurrents of low yields and equity valuations. • 10-year expected returns for balanced portfolios lower than historical averages. In some ways, the next 5 years may prove more challenging than the previous five. Principles of portfolio construction remain unchanged.	• In spite of high valuations, long-term outlook is not bearish when adjusted for the low-rate environment. This, of course, does not preclude a bear market. • Outlook for global equity risk premium remains decent over long run.	• Despite potential for yield volatility in near term, the low-rate environment will persist long term; we still see credit risk (i.e., recession) as higher than duration risk (i.e., rapid rise in interest rates). • Bond returns likely to be muted; central tendency of 1.5–3% nominal annualized over 10 years.

Source: Vanguard.

What to do about rising interest rates

Rising-rate periods and fixed income fund performances

Historical yield of 10-year U.S. Treasury bond as proxy for rising-rate periods: 1983 – March 2018



Fixed income fund performances

	'83	'84	'85	'86	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
IT Inv-Grade												-4.20	21.39	2.78	8.94	8.30	-1.53	10.70	9.42	10.28	6.29	4.75	1.97	4.43	6.14	-6.16	17.73	10.46	7.51	9.13	-1.37	5.80	1.53	3.83	4.26	-1.82
ST Bond Index													12.89	4.55	7.04	7.63	2.08	8.84	8.88	6.10	3.37	1.70	1.31	4.09	7.22	5.43	4.28	3.92	2.96	1.95	0.07	1.16	0.85	1.41	1.18	-0.51
ST Inv-Grade	9.11	14.23	14.90	11.42	4.45	6.95	11.45	9.23	13.08	7.19	7.07	-0.08	12.74	4.79	6.95	6.57	3.31	8.17	8.14	5.22	4.20	2.11	2.20	4.99	5.86	-4.74	14.03	5.21	1.93	4.52	0.97	1.76	1.03	2.72	2.12	-0.51
Total Bond Market Idx					1.54	7.35	13.64	8.65	15.25	7.14	9.68	-2.66	18.18	3.58	9.44	8.58	-0.76	11.39	8.43	8.26	3.97	4.24	2.40	4.27	6.92	5.05	5.93	6.42	7.56	4.05	-2.26	5.76	0.30	2.50	3.56	-1.47

Past performance is no guarantee of future results.
Data as of March 31, 2018.
Sources: Vanguard "Rising rates: A case for active bond investing?" August 2011 *(Philips and Walker)*, FactSet, and Morningstar.

Investment performance returns

Fund/Index/Average	Expense ratio* (%)	Three months (%)	Year-to-date (%)	One year (%)	Annualized (as of 03/31/2018) Three years (%)	Five years (%)	Ten years (%)	Since inception (%)
Vanguard Intermediate-Term Investment-Grade Fund Investor Shares (11/01/1993)	**0.20**	**-1.84**	**-1.84**	**0.92**	**1.77**	**2.31**	**4.71**	**5.58**
BloomBarc US 5-10 Year Credit Index		*-2.29*	*-2.29*	*1.64*	*2.11*	*2.75*	*5.58*	—
Spliced Core Bond Funds Average [1]		*-1.44*	*-1.44*	*1.11*	*1.11*	*1.63*	*3.52*	—
Vanguard Short-Term Bond Index Fund Investor Shares (03/01/1994)	**0.15**	**-0.53**	**-0.53**	**0.09**	**0.61**	**0.77**	**1.94**	**4.01**
Spl BloomBarc US1-5YrGov/Cr FlAdjIx [2]		*-0.50*	*-0.50*	*0.19*	*0.78*	*0.95*	*2.12*	—
Spl 1-5 Yr Inv-Grade Debt Funds Avg [3]		*-0.35*	*-0.35*	*0.68*	*0.99*	*0.94*	*1.98*	—
Vanguard Short-Term Investment-Grade Fund Investor Shares (10/29/1982)	**0.20**	**-0.54**	**-0.54**	**0.66**	**1.40**	**1.50**	**2.67**	**5.98**
BloomBarc US 1-5 Year Credit Index		*-0.71*	*-0.71*	*0.70*	*1.36*	*1.57*	*3.24*	—
1-5 Year Inv-Grade Debt Funds Avg		*-0.35*	*-0.35*	*0.68*	*0.99*	*0.94*	*1.98*	—
Vanguard Total Bond Market Index Fund Investor Shares (12/11/1986)	**0.15**	**-1.50**	**-1.50**	**1.01**	**1.02**	**1.62**	**3.46**	**5.84**
Spliced BloomBarc USAgg Flt AdjIx [4]		*-1.48*	*-1.48*	*1.24*	*1.20*	*1.82*	*3.65*	—
Spl Interm Inv-Grade Debt Funds Avg [5]		*-1.44*	*-1.44*	*1.11*	*1.11*	*1.63*	*3.52*	—

The performance data shown represent past performance. Past performance is no 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. Some funds assess purchase, redemption, and/or account maintenance fees. The performance data shown do not reflect deduction of these fees. If they did, performance would be lower. Details on these fees and adjusted performance figures can be found in the fund detail section.

Source: Data derived from Morningstar.
For some funds, fees are levied on purchases or redemptions to offset the costs of buying and selling portfolio securities. For others, fees are assessed on redemptions made within certain time periods after a purchase to discourage short-term trading. All purchase or redemption fees are paid directly to the fund to compensate long-term shareholders for the costs of trading activity. *Note that one-year performance figures are not fee-adjusted for fees incurred on shares held less than one year.*
 * Expense ratio data is as of the fund's most recent prospectus.

1 Intermediate Investment-Grade Debt Funds Average-D through August 31, 2013, Core Bond Funds Average thereafter.

2 Bloomberg Barclays U.S. 1-5 Year Government/Credit Bond Index through Dec 31, 2009; Bloomberg Barclays U.S. 1-5 Year Gov't/Credit Float Adjusted Index thereafter.

3 Spliced returns due to Lipper classification changes. Footnotes are needed on printed materials.

4 Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009; Bloomberg Barclays U.S. Aggregate Float Adjusted Index thereafter.

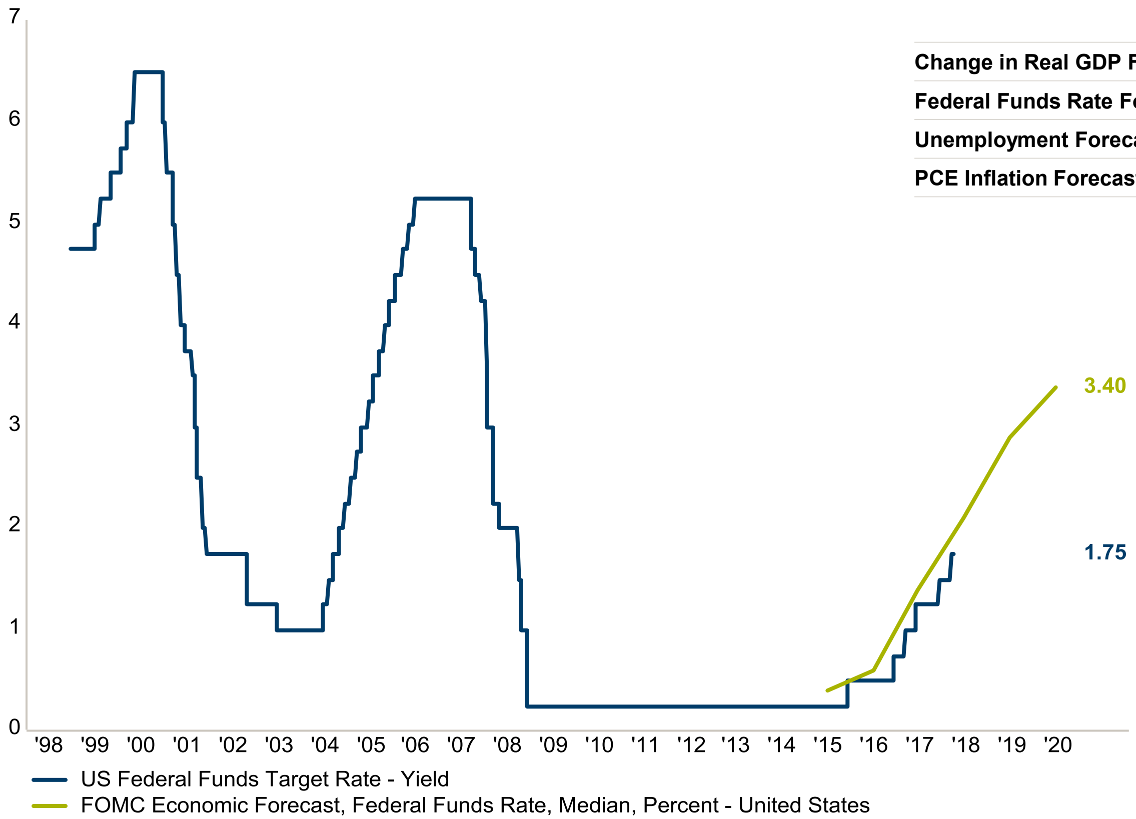
5 Intermediate US Gov't Funds Average through December 31, 2001; Interm Inv-Grade Debt Funds Avg through August 31, 2013; Core Bond Funds Average thereafter.

Interest rates and inflation: Nominal and real 10-year Treasury yields

	Avg. (1970 - 03/29/18)	Latest	Date
Nominal Yields	6.23%	2.74%	3/29/2018
Real Yields	2.40%	1.01%	2/28/2018
Inflation	3.70%	1.86%	2/28/2018

Source: FactSet, as of March 31, 2018..

The Fed and interest rates



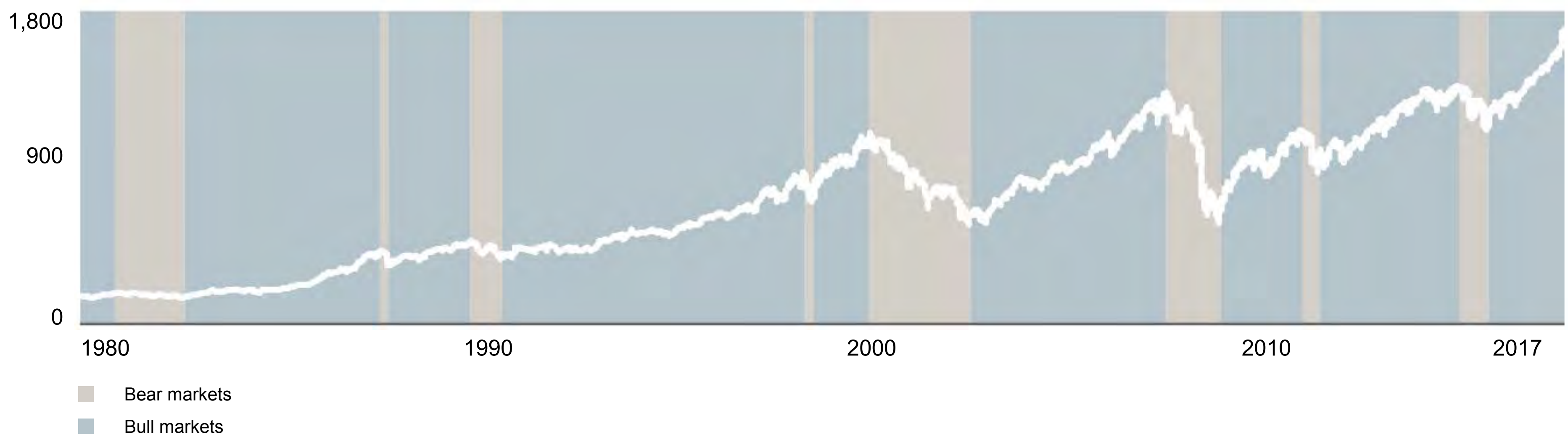
	2018	2019	2020
Change in Real GDP Forecast	2.7	2.4	2
Federal Funds Rate Forecast	2.1	2.9	3.4
Unemployment Forecast	3.8	3.6	3.6
PCE Inflation Forecast	1.9	2	2.1

Source: FactSet, as of March 31, 2018.
Note: Federal Open Market Committee (FOMC) Economic Projects.

How to navigate market downturns

Downturns aren't rare events: Typical investors, in all markets, will endure many of them during their lifetime

Global stock prices
January 1, 1980 to present



One attention-grabbing downturn every two years*

11 corrections
Decline of 10% or more

8 bear markets
Decline of 20% or more, at least two months long

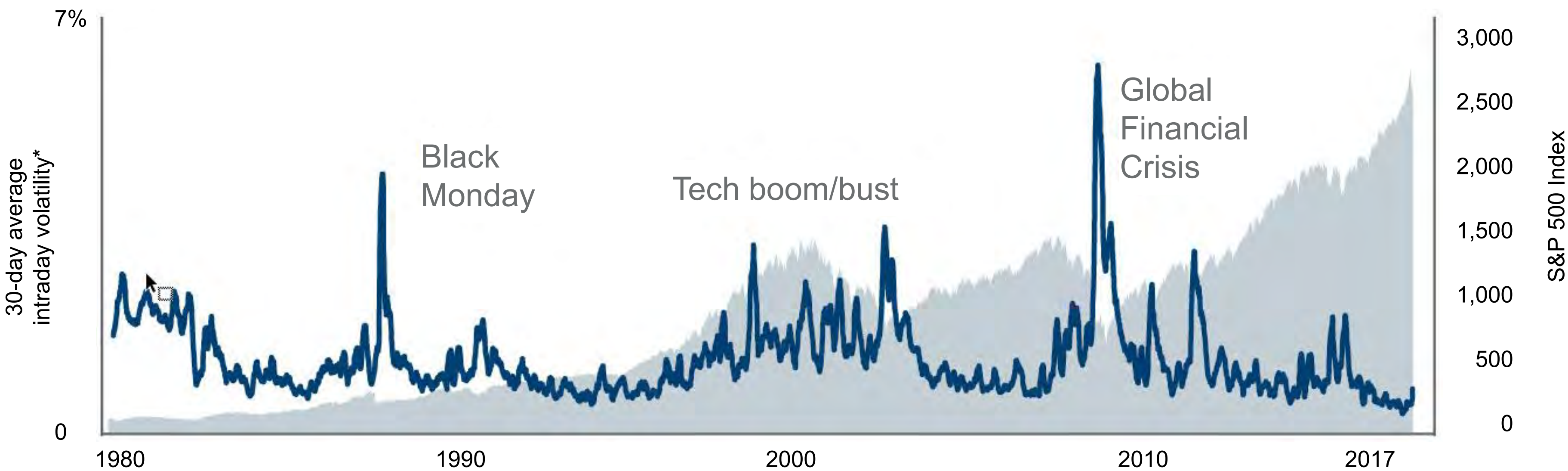
Past performance is no guarantee of future results.

* Source: Vanguard analysis based on the MSCI World Index from January 1, 1980, through December 31, 1987, and the MSCI AC World Index thereafter. Both indexes are denominated in U.S. dollars. Our count of corrections excludes those that turn into a bear market. We count corrections that occur after a bear market has recovered from its trough even if stock prices haven't yet reached their previous peak.

Dramatic losses can sting, but it's important to keep a long-term perspective

-4.7%

Decrease in S&P 500 Index during first week of February 2018

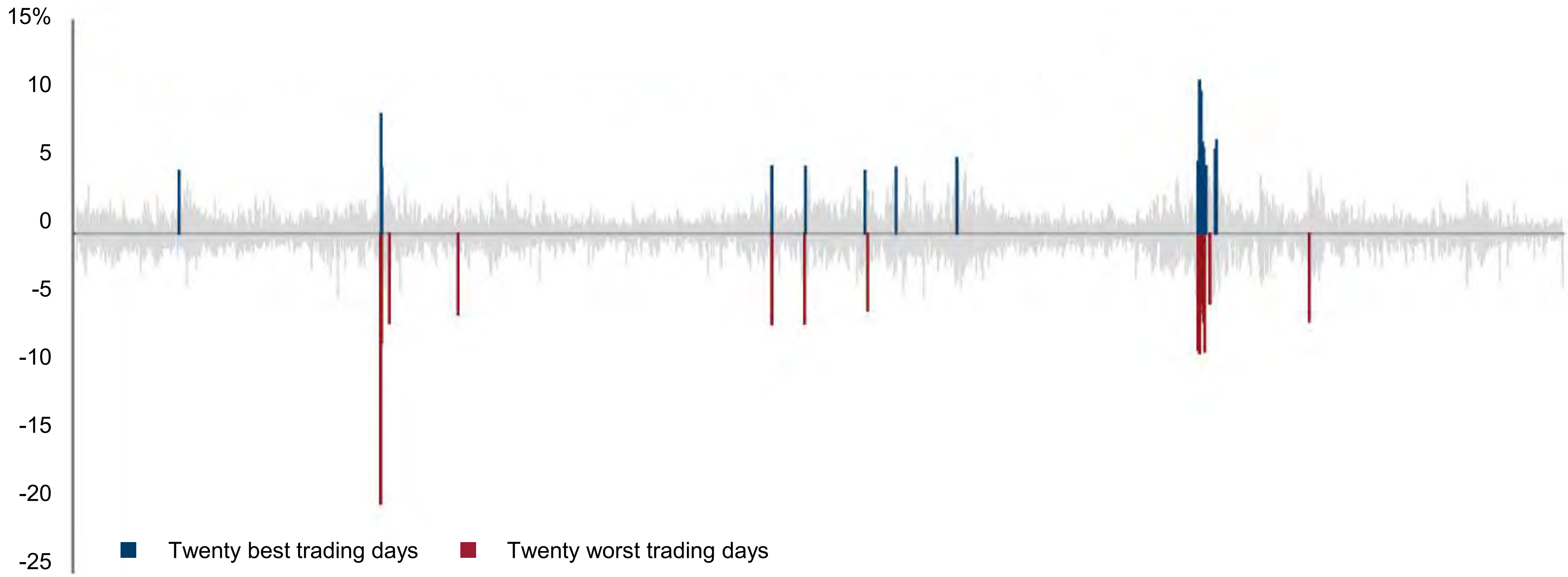


Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

* Intraday volatility is calculated as daily range of trading prices [(high – low) / opening price] for the S&P 500 Index.
Sources: Vanguard calculations, using data from Yahoo! Finance.

Timing the market is futile:
The best and worst trading days happen close together

S&P 500 Index daily returns, December 31, 1979, through January 31, 2018*



Twelve of the twenty best trading days
occurred in years with negative annual returns

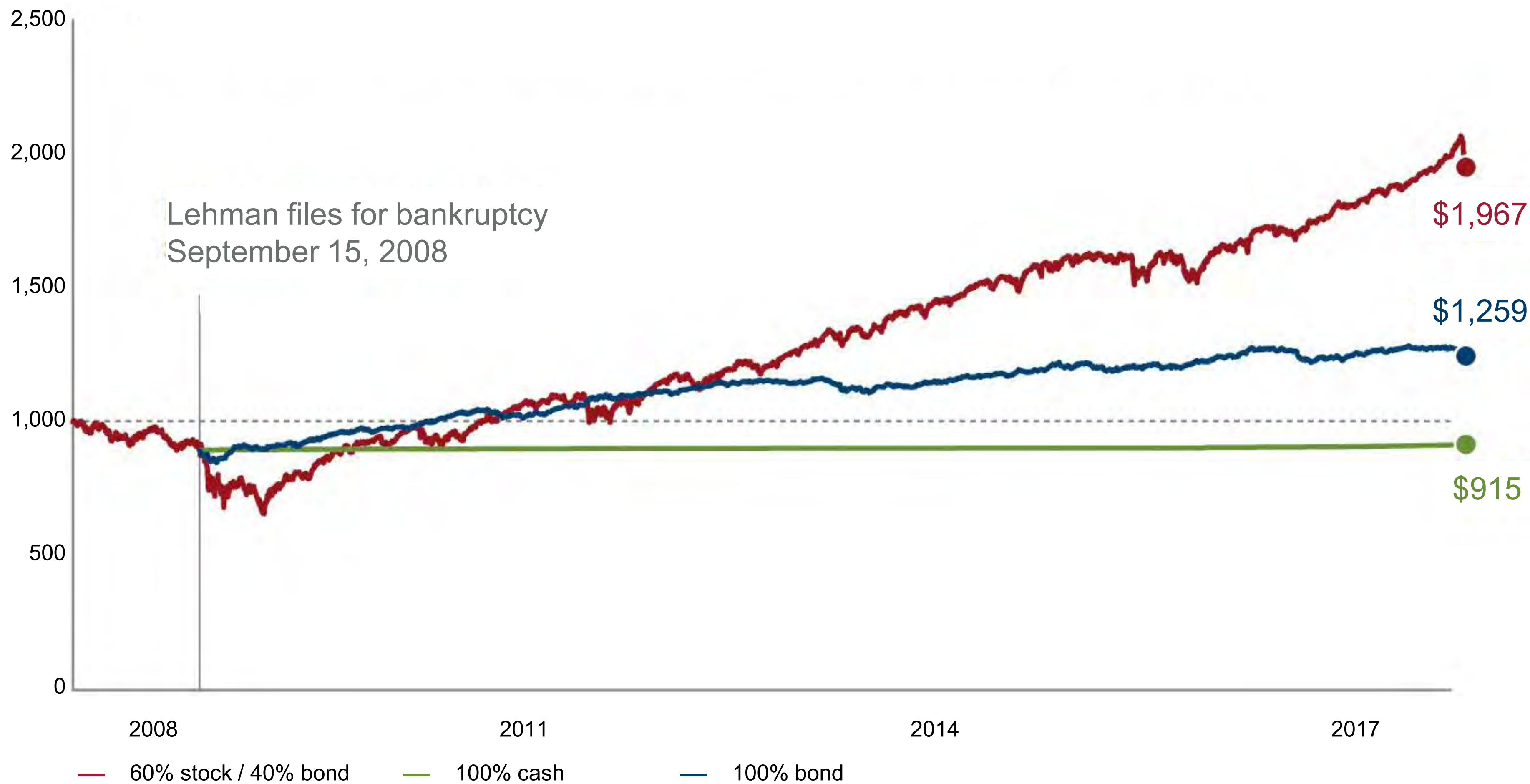
Nine of the twenty worst trading days
occurred in years with positive annual returns

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

* Source: Vanguard.

Staying the course and rebalancing can pay off, whereas altering your asset allocation can be costly

Value of $1,000 invested on October 9, 2007 (pre-crisis peak) through February 5, 2018*



Past performance is no guarantee of future results.

* Balanced portfolio is represented by 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index; bonds are represented by Bloomberg Barclays U.S. Aggregate Bond Index; and cash is represented by Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. Sources: Vanguard calculations, using data from FactSet.

Appendix – Segregated accounts reporting

Quarterly investment performance summary of segregated accounts
For the period ending March 31, 2018

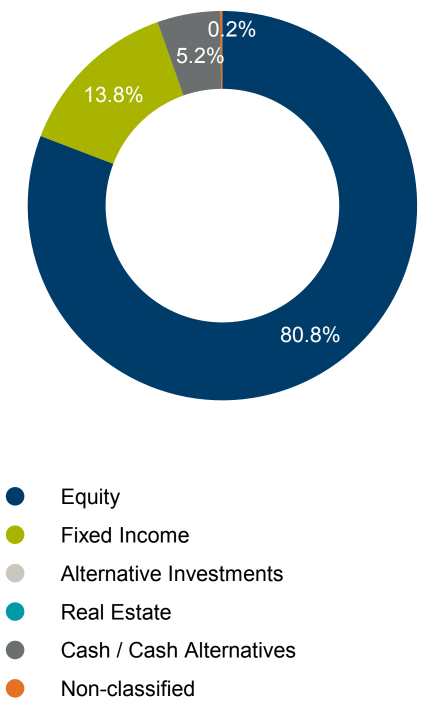
Performance net of investment manager fees

Account Name	Inv. manager	Q1 2018 return	YTD 2018	Market value as of 3/31/2018
Freedom - Willard Bosma	RJ	–1.00%	–1.00%	$474,771
Maykol	ML	–0.51%	–0.51%	$0
J Hanna/M Murphy	UBS	–0.75%	–0.75%	$1,218,572
Ernest E Settle	UBS	–1.06%	–1.06%	$1,245,509
Cutler	Schwab	–1.67%	–1.67%	$216,355
The 2012 Fund	Schwab	+0.03%	+0.03%	$613,505
MI Heritage Trails (MICHHT)	UBS	–1.22%	–1.22%	$1,320,748
Donahue	NW	–1.03%	–1.03%	$185,440
G & B Hilt Fund	UBS	–1.40%	–1.40%	$7,115,681
Collins	RJ	–2.16%	–2.16%	$687,640
Smith	RJ	–3.44%	–3.44%	$40,531
Campbell Scholarship	ML	–1.25%	–1.25%	$26,486
Shelby Rotary	LPL	–1.24%	–1.24%	$351,871

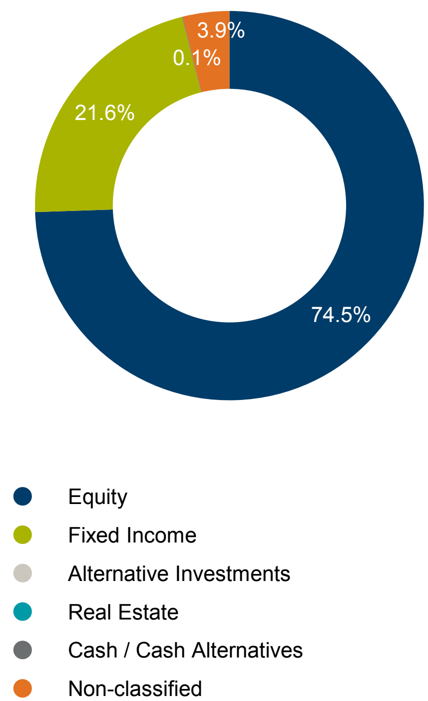
Note: Vanguard cannot independently validate the accuracy of the returns shown above. All returns are calculated using data as reported by CFMC staff. Return calculation reflects beginning period and ending period market values adjusted for investment provider or CFMC cash flows, and investment provider fees.

Quarterly asset allocation summary of segregated accounts
As of March 31, 2018

RJ - Freedom - Willard Bosma ($474,771)

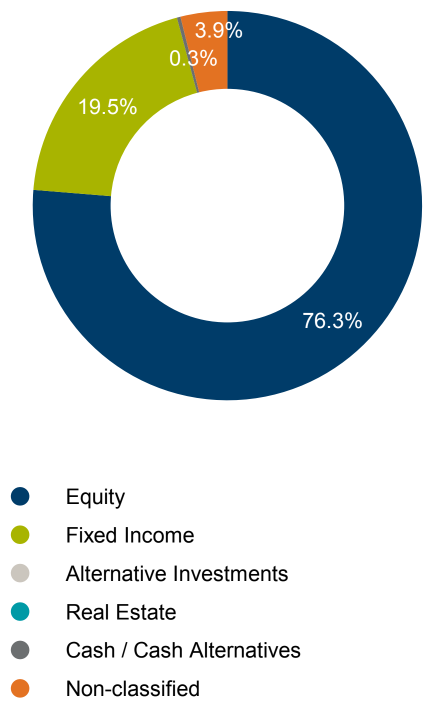


UBS - J Hanna/M Murphy ($1,218,572)

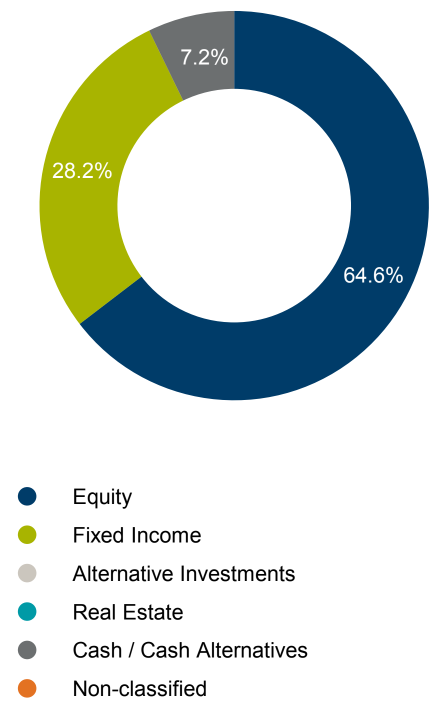


Quarterly asset allocation summary of segregated accounts
As of March 31, 2018

UBS - Ernest E Settle ($1,245,509)

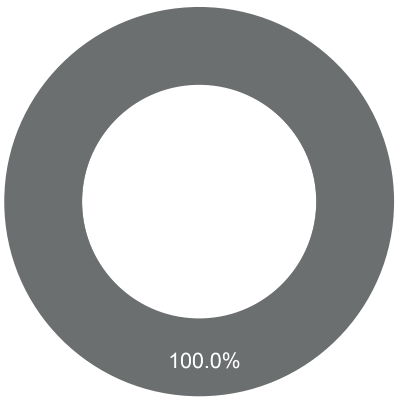


Schwab - Cutler ($195,813)



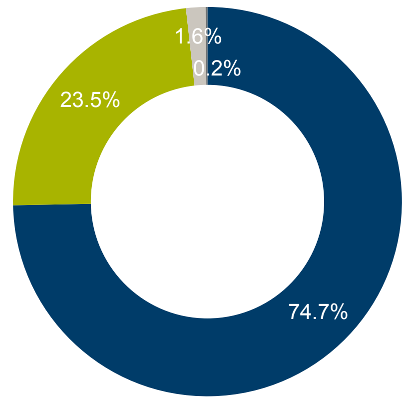
Quarterly asset allocation summary of segregated accounts
As of March 31, 2018

Schwab - The 2012 Fund ($613,505)



- Equity
- Fixed Income
- Alternative Investments
- Real Estate
- Cash / Cash Alternatives
- Non-classified

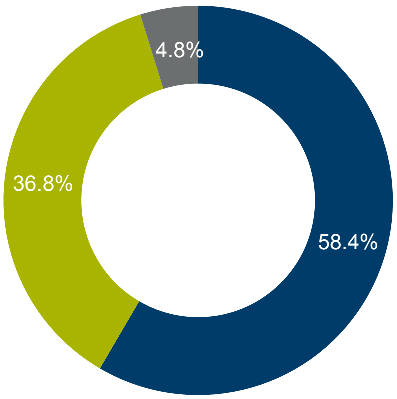
UBS - MI Heritage Trails (MICHHT) ($1,320,748)



- Equity
- Fixed Income
- Alternative Investments
- Real Estate
- Cash / Cash Alternatives
- Non-classified

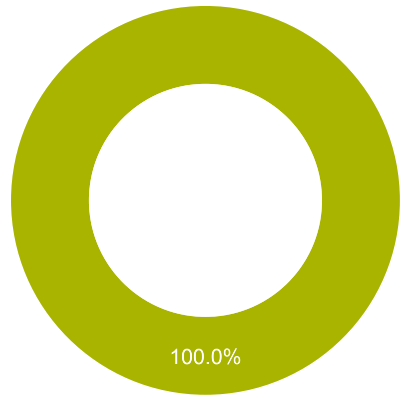
Quarterly asset allocation summary of segregated accounts
As of March 31, 2018

ML - Campbell Scholarship ($26,486)



- Equity
- Fixed Income
- Alternative Investments
- Real Estate
- Cash / Cash Alternatives
- Non-classified

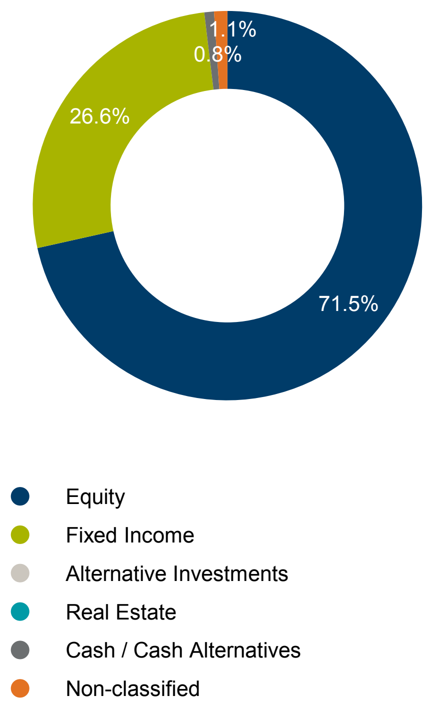
NW - Donahue ($185,440)



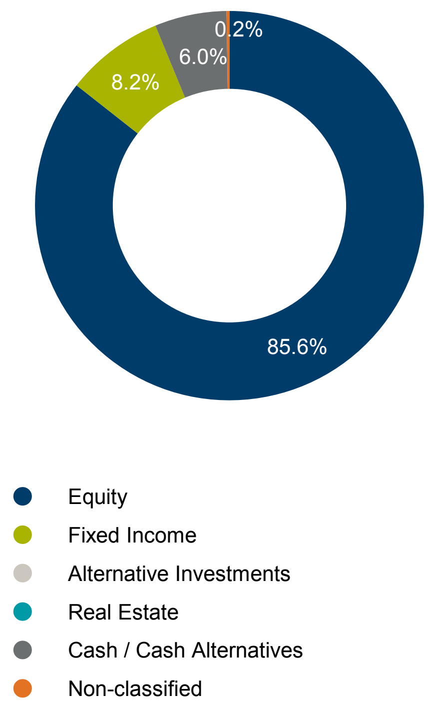
- Equity
- Fixed Income
- Alternative Investments
- Real Estate
- Cash / Cash Alternatives
- Non-classified

Quarterly asset allocation summary of segregated accounts
As of March 31, 2018

UBS - G & B Hilt Fund (hilt05) ($7,115,681)

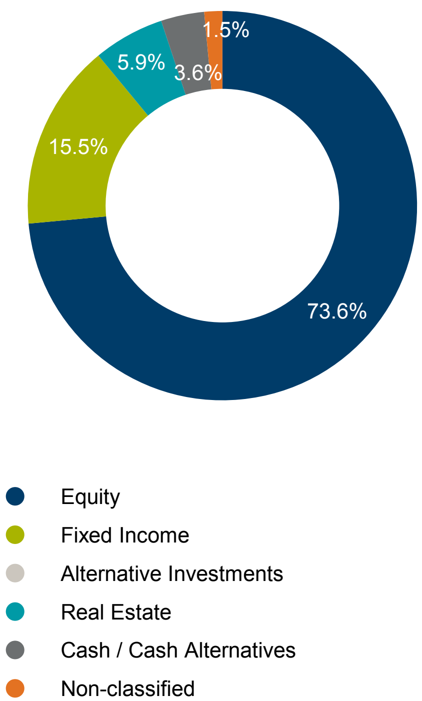


RJ - Collins ($687,640)

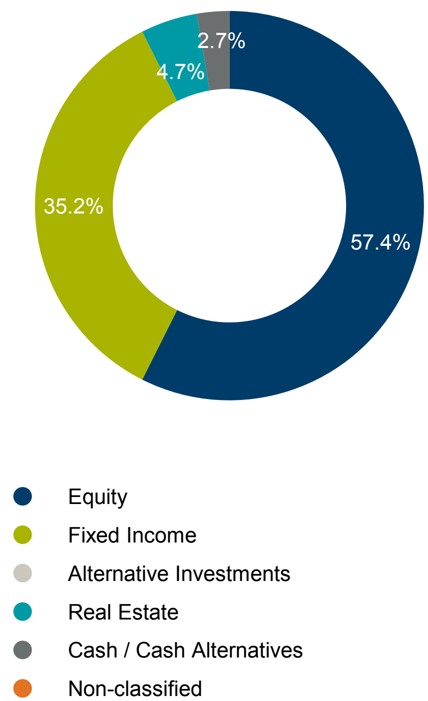


Quarterly asset allocation summary of segregated accounts
As of March 31, 2018

RJ - Smith ($40,531)

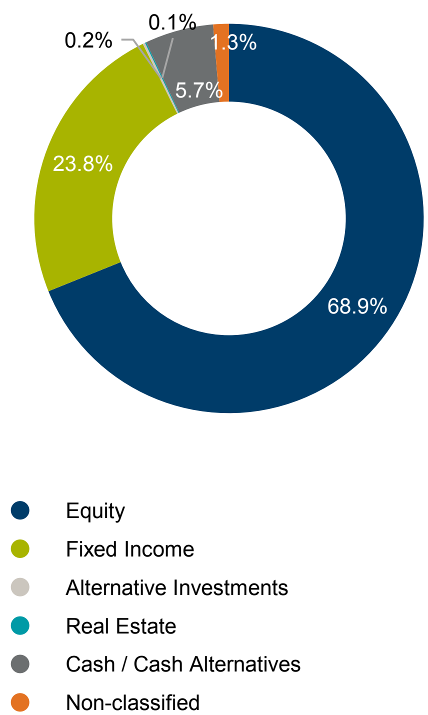


LPL - Shelby Rotary ($351,871)



Quarterly asset allocation summary of segregated accounts
As of March 31, 2018

Combined segregated accounts ($13,497,109)



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Important information

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