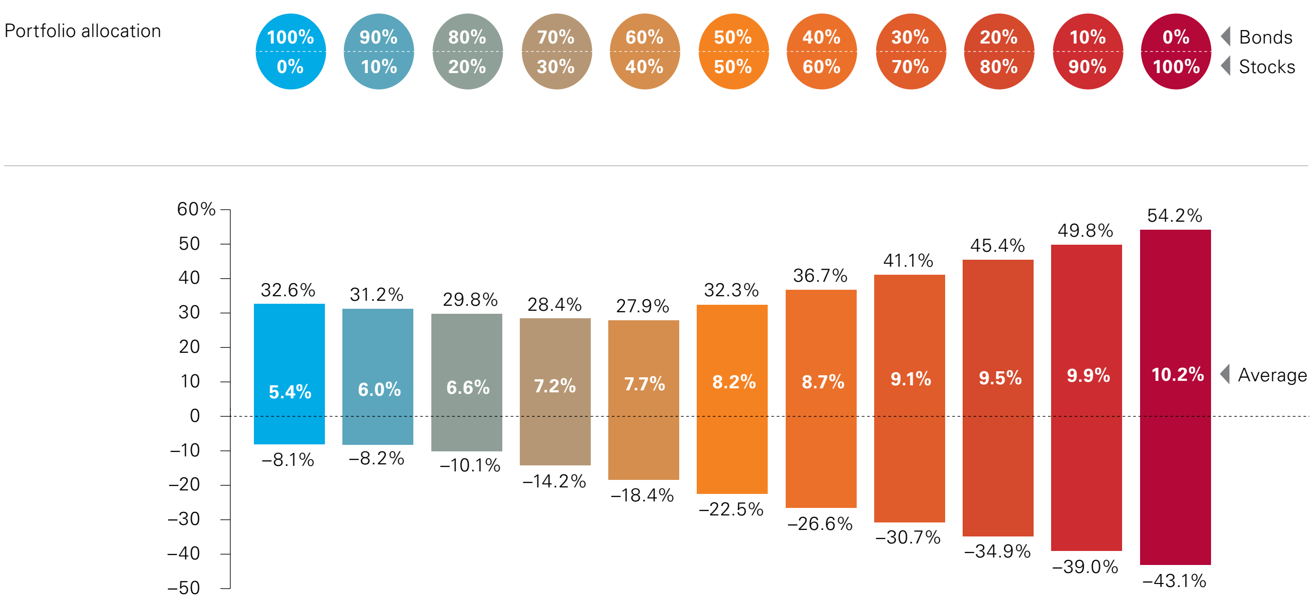
Develop a suitable asset allocation using broadly diversified funds

The mixture of assets defines the spectrum of returns

Best, worst, and average annual returns for various bond/stock allocations, 1926–2016



Note: *Past performance does not guarantee future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.*

Stocks are represented by the Standard & Poor's 90 Index from 1926 through March 3, 1957; the S&P 500 Index from March 4, 1957, through 1974; the Dow Jones Wilshire 5000 Index from 1975 through April 22, 2005; the MSCI US Broad Market Index from April 23, 2005, to June 2, 2013; and the CRSP US Total Market Index thereafter. Bonds are represented by the S&P High Grade Corporate Index from 1926 through 1968; the Citigroup High Grade Index from 1969 through 1972; the Lehman Brothers U.S. Long Credit AA Index from 1973 through 1975; the Barclays U.S. Aggregate Bond Index from 1926 to 2009; and the Bloomberg Barclays U.S. Aggregate Float Adjusted Bond Index thereafter. Data are through December 31, 2016.

- When building a portfolio to meet a specific objective, it is critical to select a combination of assets that offers the best chance for meeting that objective.
- The figure at left demonstrates how asset allocation affects the variability of returns. Each bar shows the best and worst one-year return, with the average return in the middle.
- Why not minimize potential losses by using a low-risk portfolio? Because assuming too little risk can result in failure to stay ahead of inflation or to achieve long-term goals. On the other hand, assuming too much risk can lead to levels of volatility so high that you may want to abandon your strategy.
- Performance leadership is quick to change among the many sub-asset classes. A portfolio that diversifies across the financial markets is less vulnerable to the impact of significant swings in performance by any one segment. Vanguard believes most investors are best served by significant allocations to investments that represent broad markets, such as U.S. stocks and bonds and international stocks and bonds.

For more information about Vanguard funds, contact your financial advisor 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.

All investing is subject to risk, including possible loss of principal. 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. Bond funds are subject to the risk that an issuer will fail to make payments on time and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments.

Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk.

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