

Vanguard® Target Retirement 2040 Fund

Investment Approach

Simple fund of funds structure seeks to build appropriate asset allocation from preselected stock and bond portfolios.

The allocation between funds and asset classes automatically becomes more conservative over time.

The fund handles investment selection, asset allocation, and rebalancing through retirement.

100% of assets invested in index funds.

Note: Lower priced options may be available depending on your plan size.

Quarterly Commentary

Global financial markets struggled in the first quarter of 2026. Escalating conflict in the Middle East and a subsequent surge in energy prices weighed on investor appetite for stocks. While many major central banks held short-term interest rates steady, rising inflation expectations contributed to a decline in bond prices.

Global stocks returned -2.75% for the quarter, as measured by the FTSE Global All Cap Index in U.S. dollars. For the 12 months ended March 31, global stocks returned 20.67%.

Global bonds returned -1.07% for the quarter, as measured by the Bloomberg Global Aggregate Index; U.S. bonds fared better than that. For the 12 months ended March 31, global bonds returned 4.26%.

For the current quarter, returns of Vanguard Target Retirement Funds ranged from -1.45% for the Target Retirement 2055 Fund to -0.46% for the Target Retirement Income Fund. Those results reflected the performance of the underlying funds in which the Target Retirement Funds invest. Vanguard Total International Bond II Index Fund Institutional Shares returned -0.45%, Vanguard Total Bond Market II Index Fund Institutional Shares -0.05%, Vanguard Institutional Total International Stock Market Index Trust II 1.80%, Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares 0.97%, and Vanguard Total Stock Market Index Fund Institutional Plus Shares -3.96%.

For the 12 months ended March 31, 2026, returns of the Target Retirement Funds ranged from 10.37% for the Target Retirement Income Fund to 20.35% for the Target Retirement 2055 Fund.

People and Process

Vanguard Target Retirement 2040 Fund uses an asset allocation strategy designed for investors planning to retire between 2038 and 2042. The fund seeks to provide growth of capital and current income consistent with its current target allocation by investing in a gradually more conservative mix of the following Vanguard funds: Total Stock Market Index Fund, Total Bond Market II Index Fund, Total International Stock Index Fund, Total International Bond II Index Fund, and Short-Term Inflation-Protected Securities Fund. The combination of funds produces a portfolio that is diversified by asset class and holdings.

Vanguard Target Retirement 2040 Fund is one of a series of Vanguard funds that use a targeted maturity approach as a simplified way to meet investors' different objectives, time horizons, and changing risk tolerances. As your retirement date approaches, the fund's allocation will grow more conservative and will begin to invest in the Vanguard Short-Term Inflation-Protected Securities Index Fund to provide a hedge against inflation while dampening the overall volatility of the portfolio. In this regard, the fund diversifies both stock and conventional bond exposure. Within seven years after 2040, the fund's asset allocation should resemble that of the Target Retirement Income Fund.

Vanguard Capital Management

Launched in 1975, The Vanguard Group, Inc., Malvern, Pennsylvania, is among the world's largest equity and fixed income managers. Vanguard's wholly owned subsidiary, Vanguard Capital Management, an independent investment advisor designed to enhance fund oversight and operational efficiency, is focused on equity, fixed income, and multi-asset strategies. Equity index funds are managed by Global Equity Index Management, covering U.S. and international markets. Global Equity Index Management has developed sophisticated portfolio construction methodologies and efficient trading strategies that seek to deliver returns that are highly correlated with target portfolio benchmarks. The group has advised Vanguard Target Retirement 2040 Fund since 2006.

Investment Manager Biographies

Michael R. Roach, CFA. Portfolio manager. Advised the fund since 2023. Worked in investment management since 2000. B.S., Bloomsburg University of Pennsylvania. M.S., Drexel University.

Walter Nejman. Portfolio manager. Advised the fund since 2013. Worked in investment management since 2008. B.A., Arcadia University. M.B.A., Villanova University.

Aurelie Denis, CFA. Portfolio manager. Advised the fund since 2023. Worked in investment management since 2017. B.S., Pennsylvania State University.

Roger Aliaga-Diaz, Ph.D., Principal. Portfolio manager, Investment Strategy Group. Advised the fund since 2023. Worked in investment management since 2010. B.A., Universidad Nacional de Córdoba. Ph.D., North Carolina State University.

Total Returns

	Expense Ratio	Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years
Target Retirement 2040 Fund (6/7/2006)	0.08%	-1.20%	-1.20%	17.57%	13.85%	7.50%	9.91%
Target Retirement 2040 Composite Index	—	-1.90	-1.90	17.05	13.72	7.59	10.11
Mixed-Asset Target 2040 Funds Average	—	-1.41	-1.41	16.22	13.23	7.01	9.31

The performance data shown represent 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. For performance data current to the most recent month-end, visit our website at vanguard.com/performance. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Note: Target Retirement 2040 Composite Index: Derived by applying the fund's target asset allocation to the results of the following benchmarks: for international stocks of developed markets, the MSCI EAFE Index through December 15, 2010, the MSCI ACWI ex USA IMI Index through June 2, 2013, and the FTSE Global All Cap ex US Index thereafter; for emerging-market stocks, the Select Emerging Markets Index through August 23, 2006, the MSCI Emerging Markets Index through December 15, 2010, the MSCI ACWI ex USA IMI Index through June 2, 2013, and the FTSE Global All Cap ex US Index thereafter; for U.S. bonds, the Bloomberg U.S. Aggregate Bond Index through December 31, 2009, and the Bloomberg U.S. Aggregate Float Adjusted Index thereafter; for international bonds, the Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index Hedged beginning June 3, 2013; and for U.S. stocks, the MSCI US Broad Market Index through June 2, 2013, and the CRSP US Total Market Index thereafter. International stock benchmark returns are adjusted for withholding taxes.

Quarterly Returns

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year-End		
					Target Retirement 2040 Fund	Target 2040 Composite Index	Assets (Millions)
2026	-1.20%	—	—	—	—	—	\$108,440
2025	-0.21	9.09%	6.23%	2.69%	18.76%	18.77%	108,845
2024	5.85	1.73	6.43	-1.50	12.88	12.99	91,597
2023	6.21	4.57	-3.34	10.23	18.34	18.60	79,410
2022	-5.66	-13.17	-6.33	8.20	-16.98	-16.51	64,733
2021	3.82	6.11	-0.98	5.02	14.56	14.84	29,330
2020	-18.25	17.29	6.80	12.76	15.47	16.31	35,841
2019	10.96	3.46	0.49	7.38	23.86	24.19	31,328
2018	-0.53	0.90	3.79	-11.03	-7.32	-7.23	23,667
2017	6.02	3.75	4.51	5.00	20.71	20.86	23,943
2016	0.84	1.81	4.72	1.13	8.73	8.98	17,955

Fund Facts

Fund Number	0696
Ticker	VFORX
CUSIP Number	92202E870
Assets (millions)	\$108,440
Inception	6/7/2006
Acquired Fund Fees and Expenses (as of 1/2026)	0.08%

Volatility Measures

	R-Squared	Beta
Target Retirement 2040 Composite Ix	1.00	0.99
MSCI US Broad Market Index	0.88	0.73

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.

Fund Asset Allocation

	% of Total Net Assets
Stocks	73.8%
Bonds	25.7
Short-term reserves	0.5
Total	100.0%

Allocation to Underlying Vanguard Funds

	% of Total Net Assets
Total Stock Market Index Fund	43.7%
Total International Stock Index	30.4
Total Bond Market II Index Fund	18.2
Total International Bond II Index Fund	7.6

Important information

For more information about Vanguard funds or Vanguard ETFs, visit vanguard.com or call 800-523-1036 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.

Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy and sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.

All investing is subject to risk, including the possible loss of the money you invest.

Please remember that all investments involve some risk. 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. Funds that concentrate on a relatively narrow market sector face the risk of higher share-price volatility.

Investments in bond funds and ETFs are subject to interest rate, credit, and inflation risk. High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings.

The Factor Funds are subject to investment style risk, which is the chance that returns from the types of stocks in which a Factor Fund invests will trail returns from U.S. stock markets. The Factor Funds are also subject to manager risk, which is the chance that poor security selection will cause a Factor Fund to underperform its relevant benchmark or other funds with a similar investment objective, and sector risk, which is the chance that significant problems will affect a particular sector in which a Factor Fund invests, or that returns from that sector will trail returns from the overall stock market.

Investments in derivatives may involve risks different from, and possibly greater than, those of investments in the underlying securities or assets.

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

Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the Fund name refers to the approximate year (the target date) when an investor in the Fund would retire and leave the work force. The Fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. The Income Fund has a fixed investment allocation and is designed for investors who are already retired. An investment in the Target Retirement Fund is not guaranteed at any time, including on or after the target date.

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Vanguard is responsible only for selecting the underlying funds and periodically rebalancing the holdings of target-date investments. The asset allocations Vanguard has selected for the Target Retirement Funds are based on our investment experience and are geared to the average investor. Regularly check the asset mix of the option you choose to ensure it is appropriate for your current situation.