

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Vanguard Tax-Managed Small-Cap Fund Institutional Shares		2 Issuer's employer identification number (EIN) 23-2985757	
3 Name of contact for additional information Vanguard Investor and Client Information	4 Telephone No. of contact 877-662-7447	5 Email address of contact online@vanguard.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. Box 2600		7 City, town, or post office, state, and ZIP code of contact Valley Forge, PA 19482	
8 Date of action December 31, 2017		9 Classification and description Regulated Investment Company - Institutional Shares	
10 CUSIP number 921943502	11 Serial number(s)	12 Ticker symbol VTSIX	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **Vanguard Tax-Managed Small-Cap Fund Institutional Shares ("The Fund") made cash distributions during the calendar year 2017 to its shareholders as follows:**

2017 Record Date	Distribution Per Share
March 27, 2017	\$0.164
June 21, 2017	\$0.129
September 20, 2017	\$0.154
December 21, 2017	\$0.2536

For 2017, The Fund determined that a portion of these distributions constitute a non-taxable return of capital.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **Of The Fund's total cash distributions during 2017 to its shareholders of \$0.7006 per share, \$0.018216 is a nontaxable return of capital, reducing basis to the extent of the shareholder's adjusted basis in The Fund. To the extent that the return of capital exceeds the shareholder's adjusted basis, the distribution will be taxed as a capital gain to the shareholder.**

2017 Record Date	Reduction in Basis Per Share
March 27, 2017	\$0.004264
June 21, 2017	\$0.003354
September 20, 2017	\$0.004004
December 21, 2017	\$0.006594

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The calculation of the return of capital is based upon the The Fund's accumulated earnings and profits as of its fiscal year ended December 31, 2017. The amount of the return of capital should be applied against the shareholder's adjusted basis of the stock, reducing the basis until it is zero. The amount of the return of capital, if any, that exceeds a zero basis shall be treated as a gain from the sale or exchange of property.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based Internal Revenue Code Sections 301(c) and 316(a).

Lined area for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? Not applicable.

Lined area for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year None.

Lined area for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature [Handwritten Signature] Date 1/11/18

Print your name Deborah Perch Title Director of Fund Tax

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name	Firm's EIN			
	Firm's address	Phone no.			