

Vanguard® Prime Money Market Fund

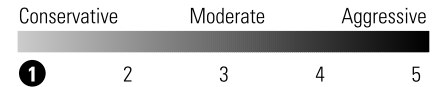
Assets: \$46,934,948,783

Expenses: 0.32%*

Ticker Symbol: VMMXX

Inception: June 4, 1975

Overall Risk Level:



Who Should Invest

- Investors seeking interest income and a stable share price.
- Investors seeking liquidity (the ability to convert assets into short-term reserves).
- Investors seeking a “parking place” for short-term reserves while awaiting opportunities for longer-term investments.

Who Should Not Invest

- Investors seeking long-term growth of capital.

Investment Objective

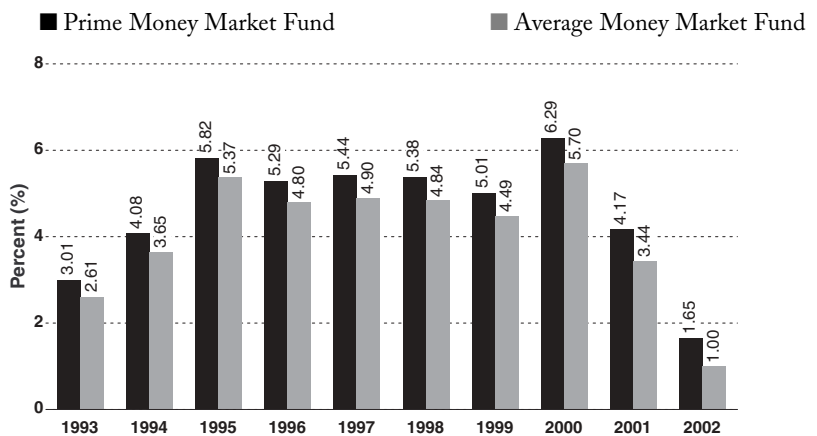
Vanguard Prime Money Market Fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.

Investment Strategy

The fund invests in high-quality, short-term money market instruments, including certificates of deposit, banker’s acceptances, commercial paper, and other money market securities. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). If unrated, the security must be determined by Vanguard to be of quality equivalent to those in the two highest credit-quality categories. The fund will invest more than 25% of its assets in securities issued by companies in the financial services industry. The fund will maintain a dollar-weighted average maturity of 90 days or less.

Performance

Annual Returns 1993–2002 — Prime Money Market Fund vs. Average Money Market Fund^{1**}



Total Returns for Periods Ended September 30, 2003^{***}

	Yield [†]	Year to Date	1 Year	3 Years	5 Years	10 Years
Prime Money Market Fund	0.77%	0.70%	1.06%	2.71%	3.81%	4.45%
Average Money Market Fund	—	0.35%	0.56%	2.09%	3.21%	3.91%

*For most recent fiscal year.

**Derived from data provided by Lipper Inc.

***Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns.

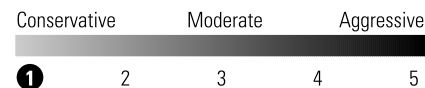
†Seven-day current yield net of expenses. The yield quotation more closely reflects the current earnings of the fund than the total return quotation.

A Few Words About Risk

Although a money market fund is designed for conservative investors, it is not without risk. The often overlooked risk you face is the possibility that, over time, the return on your investment won't keep up with the rising cost of living (inflation). A 3% return on an investment may seem acceptable—but not if the rate of inflation over the same period is 4%.

Also, investors who are looking for a steady stream of income from this fund (for example, those in or near retirement) incur a high level of income

Overall Risk Level:



risk—the possibility that income levels could decline suddenly as short-term interest rates fall.

Short-term market risk, most often associated with stock mutual funds, and credit risk, such as that associated with bond funds, are minimal. The chance that you will lose any part of your original investment is remote.

Investment Terms

Credit Risk: The possibility that a bond issuer will fail to pay interest or to repay your original investment on time—or at all.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Income Risk: The possibility that the interest income paid on your investments will decline sharply over a brief period.

Interest: Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

Market Risk: The chance that the value of an investment will change because of rising (or falling) stock or bond prices.

Mutual Fund: An investment company that combines the money of thousands of people and invests it in a number of securities (stocks, bonds, short-term reserves) to achieve a specific objective over time.

Short-Term Reserves: Investments in which you lend money for short periods to banks, governments, or insurance companies, which pay you interest in return. Examples include bank deposits, certificates of deposit, and U.S. Treasury bills.

Total Return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

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An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund.

Performance figures include the reinvestment of all dividends and any capital gains distribution. All returns are net of expenses. The yield on this fund will fluctuate. Return figures reflect past performance, which is no guarantee of future results.

Vanguard funds are offered by prospectus only. Prospectuses contain more complete information on risks, advisory fees, distribution charges, and other expenses and should be read carefully before you invest or send money. Prospectuses can be obtained directly by writing to The Vanguard Group, P.O. Box 2900, Valley Forge, PA 19482-2900; calling 1-800-523-1188; or visiting www.vanguard.com.