

Vanguard® Prime Money Market Fund Institutional Shares

Who Should Invest

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

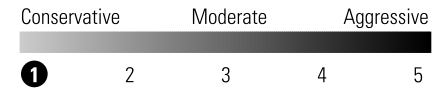
Assets: \$4,609,295,630

Expenses: 0.13%*

Ticker Symbol: VMRXX

Inception: October 3, 1989

Overall Risk Level:



Who Should Not Invest

- Investors seeking long-term growth of capital.

Investment Objective

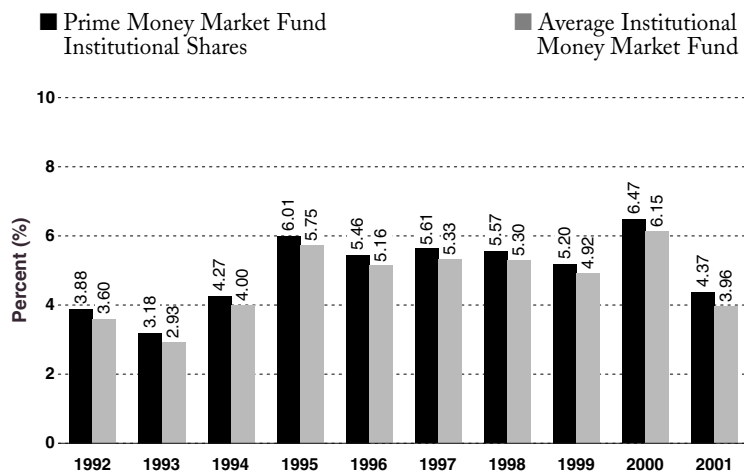
Vanguard Prime Money Market Fund seeks the highest level of income consistent with maintaining a stable share price of \$1.

Investment Strategy

The fund invests in short-term, high-quality money market instruments issued by financial institutions, nonfinancial corporations, the U.S. government, and federal agencies. Its holdings may include certificates of deposit, bank-guaranteed securities, corporate IOUs, and other money market instruments, as well as U.S. Treasury and government agency securities and repurchase agreements on such securities. The average maturity of the fund's holdings will be 90 days or less.

Performance

Annual Returns 1992–2001 — Prime Money Market Fund Institutional Shares vs. Average Institutional Money Market Fund**



Total Returns for Periods Ended June 30, 2002***

	Yield†	Year to Date	1 Year	3 Years	5 Years	10 Years
Prime Money Market Fund Institutional Shares	1.89%	1.01%	2.68%	4.85%	5.09%	4.88%
Average Institutional Money Market Fund	—	0.80%	2.24%	4.48%	4.76%	4.58%

*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.

Vanguard Prime Money Market Fund

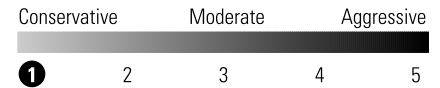
Institutional Shares

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, is minimal. The chance that you will lose any part of your original investment is remote.

Investment Terms

Cash Investments: 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.

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 an investment 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, cash) to achieve a specific objective over time.

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.

The Vanguard Group and *Vanguard* are trademarks of The Vanguard Group, Inc. All other marks are the exclusive property of their respective owners.

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.