

Vanguard® Target Retirement Funds: Overview



Objective

- Seeks to provide growth of capital and current income consistent with the investor's time horizon
- Easy to use fund-of-funds structure that holds a portfolio of diversified stock, bond (including inflation-protected securities), and short-term reserves funds
- Automatically carries out investment selection, asset allocation, and rebalancing through retirement
- Allocation between stock and bond funds automatically becomes more conservative over time—reaching a final allocation during retirement

Investors may choose to invest in any of the Target Retirement funds. Each are based on an asset allocation strategy designed for investors planning to retire in or within a few years of the target maturity year.

- Vanguard® Target Retirement Income Fund
– Investors in retirement
- Vanguard® Target Retirement 2005 Fund
– Investors in their 60s who plan to retire between now and 2009
- Vanguard® Target Retirement 2015 Fund
– Investors in their 50s who plan to retire between 2010 and 2019
- Vanguard® Target Retirement 2025 Fund
– Investors in their 40s who plan to retire between 2020 and 2029
- Vanguard® Target Retirement 2035 Fund
– Investors in their 30s who plan to retire between 2030 and 2039
- Vanguard® Target Retirement 2045 Fund
– Investors in their 20s who plan to retire between 2040 and 2049

Investment Focus

	Value	Blend	Growth	Short	Medium	Long	
Large							Treasury and Agency
Medium							Investment-Grade Corporate
Small							Below Investment-Grade
	Equity*			Fixed Income			

* Includes international funds.
As of June 30, 2004, unless otherwise noted.

Vanguard Target Retirement Funds: Underlying Funds



The funds benefit from the investment advisory services of the underlying Vanguard funds in which they invest. Each fund invests in a combination of any or all of the following Vanguard funds:

Vanguard Total Stock Market Index Fund

- Seeks to track the performance of the Wilshire 5000 Total Market Index
- Managed by The Vanguard Group, Inc.

Vanguard European Stock Index Fund

- Seeks to track the performance of the Morgan Stanley Capital International (MSCI) Europe Index
- Managed by The Vanguard Group, Inc.

Vanguard Pacific Stock Index Fund

- Seeks to track the performance of the Morgan Stanley Capital International (MSCI) Pacific Index
- Managed by The Vanguard Group, Inc.

Vanguard Total Bond Market Index Fund

- Seeks to track the performance of the Lehman Brothers Aggregate Bond Index
- Managed by The Vanguard Group, Inc.

Vanguard Inflation-Protected Securities Fund

- Seeks inflation protection and income by investing in inflation-indexed bonds issued by the U.S. government, government agencies, and corporations
- Managed by The Vanguard Group, Inc.

Vanguard Prime Money Market Fund

- Seeks current income while maintaining liquidity and a stable share price of \$1 by investing in short-term, high-quality money market instruments
- Managed by The Vanguard Group, Inc.

Vanguard Target Retirement Funds: Overview of Fund Allocations



	Target Retirement 2045	Target Retirement 2035	Target Retirement 2025	Target Retirement 2015	Target Retirement 2005	Target Retirement Income
Comparative risk profile	Aggressive	Relatively Aggressive	Moderately Aggressive	Moderate	Moderately Aggressive	Conservative
Asset mix						
Extent of indexing	100% Predominately Indexed	100%	100%	100%	100%	Predominately Indexed

*** The allocation for Target Retirement Fund represents the final allocation for the other Target Retirement Funds.

As of June 30, 2004, unless otherwise noted.

Vanguard Target Retirement Income Fund: Portfolio and Performance



Total Fund Characteristics

Assets (millions)	\$223.9
30-Day Yield (SEC)	3.4%
Average Weighted Expense Ratio*	0.21%
Fund Asset Allocation	
Stocks	20%
Bonds	75%
Short-Term Reserves	5%

Current Fund Allocation

Vanguard Total Bond Market Index Fund	50%
Vanguard Inflation-Protected Securities Fund	25%
Vanguard Total Stock Market Index Fund	20%
Vanguard Prime Money Market Fund	5%

Target Index

- Target Income Composite Index is made up of four unmanaged benchmarks, weighted 50% Lehman Aggregate Bond Index, 25% Lehman Treasury Inflation Notes Index, 20% Wilshire 5000 Index, and 5% Citigroup 3-Month Treasury Index

Total Returns**

	Target Retirement Income Fund	Target Income Composite Average***	Target Income Composite Index†
Periods Ended June 30, 2004			
Year to Date	1.37%	1.20%	1.37%
2Q2004	-1.72	-1.54	-1.72
Since Inception††	3.91	3.76	4.01

* For underlying funds.

** 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.

*** Target Income Composite Average is a composite fund average weighted 50% average fixed income fund, 25% average intermediate government fund, 20% average general equity fund, and 5% average money market fund. Derived from data provided by Lipper Inc

† Target Income Composite Index is made up of four unmanaged benchmarks, weighted 50% Lehman Aggregate Bond Index, 25% Lehman Treasury Inflation Notes Index, 20% Wilshire 5000 Index, and 5% Citigroup 3-Month Treasury Index.

†† Since the fund's inception, October 27, 2003.

As of June 30, 2004, unless otherwise noted.

Vanguard Target Retirement 2005 Fund: Portfolio and Performance



Total Fund Characteristics

Assets (millions)	\$179.6
30-Day Yield (SEC)	3.2%
Average Weighted Expense Ratio*	0.21%
Fund Asset Allocation	
Stocks	35%
Bonds	65%
Short-Term Reserves	0%

Current Fund Allocation

Vanguard Total Bond Market Index Fund	50%
Vanguard Total Stock Market Index Fund	35%
Vanguard Inflation-Protected Securities Fund	15%

Target Index

- Target 2005 Composite Index is made up of three unmanaged benchmarks, weighted 50% Lehman Aggregate Bond Index, 35% Wilshire 5000 Index, and 15% Lehman Treasury Inflation Notes Index

Total Returns**

	Target Retirement 2005 Fund	Target 2005 Composite Average***	Target 2005 Composite Index†
Periods Ended June 30, 2004			
Year to Date	1.84%	1.63%	1.74%
1Q2004	-1.22	-1.10	-1.24
Since Inception††	5.67	5.41	5.70

* For underlying funds.

** 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.

*** Target 2005 Composite Average is a composite fund average weighted 50% average fixed income fund, 35% average general equity fund, and 15% average intermediate government fund. Derived from data provided by Lipper Inc.

† Target 2005 Composite Index is made up of three unmanaged benchmarks, weighted 50% Lehman Aggregate Bond Index, 35% Wilshire 5000 Index, and 15% Lehman Treasury Inflation Notes Index.

†† Since the fund's inception, October 27, 2003.
As of June 30, 2004, unless otherwise noted.

Vanguard Target Retirement 2015 Fund: Portfolio and Performance



Total Fund Characteristics

Assets (millions)	\$313.8
30-Day Yield (SEC)	2.9%
Average Weighted Expense Ratio*	0.22%
Fund Asset Allocation	
Stocks	50%
Bonds	50%
Short-Term Reserves	0%

Current Fund Allocation

Vanguard Total Bond Market Index Fund	50%
Vanguard Total Stock Market Index Fund	40%
Vanguard European Stock Index Fund	7%
Vanguard Pacific Stock Index Fund	3%

Target Index

- Target 2015 Composite Index is made up of three unmanaged benchmarks, weighted 50% Lehman Aggregate Bond Index, 40% Wilshire 5000 Index, and 10% MSCI EAFE Index

Total Returns**

	Target Retirement 2015 Fund	Target 2015 Composite Average***	Target 2015 Composite Index†
Periods Ended June 30, 2004			
Year to Date	2.21%	1.97%	2.10%
2Q2004	-0.56	-0.67	-0.69
Since Inception††	7.22	6.70	7.15

* For underlying funds.

** 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.

*** Target 2015 Composite Average is a composite fund average weighted 50% average fixed income fund, 40% average general equity fund, and 10% average international fund. Derived from data provided by Lipper Inc.

† Target 2015 Composite Index is made up of three unmanaged benchmarks, weighted 50% Lehman Aggregate Bond Index, 40% Wilshire 5000 Index, and 10% MSCI EAFE Index.

†† Since the fund's inception, October 27, 2003.

As of June 30, 2004, unless otherwise noted.

Vanguard Target Retirement 2025 Fund: Portfolio and Performance



Total Fund Characteristics

Assets (millions)	\$257.5
30-Day Yield (SEC)	2.6%
Average Weighted Expense Ratio*	0.22%
Fund Asset Allocation	
Stocks	60%
Bonds	40%
Short-Term Reserves	0%

Current Fund Allocation

Vanguard Total Stock Market Index Fund	48%
Vanguard Total Bond Market Index Fund	40%
Vanguard European Stock Index Fund	8%
Vanguard Pacific Stock Index Fund	4%

Target Index

- Target 2025 Composite Index is made up of three unmanaged benchmarks, weighted 48% Wilshire 5000 Index, 40% Lehman Aggregate Bond Index, and 12% MSCI EAFE Index

Total Returns**

	Target Retirement 2025 Fund	Target 2025 Composite Average***	Target 2025 Composite Index†
Periods Ended June 30, 2004			
Year to Date	2.57%	2.34%	2.49%
2Q2004	-0.28	-0.43	-0.34
Since Inception††	8.42	7.76	8.35

* For underlying funds.

** 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.

*** Target 2025 Composite Average is a composite fund average weighted 48% average general equity fund, 40% average fixed income fund, and 12% average international fund. Derived from data provided by Lipper Inc.

† Target 2025 Composite Index is made up of three unmanaged benchmarks, weighted 48% Wilshire 5000 Index, 40% Lehman Aggregate Bond Index, and 12% MSCI EAFE Index.

†† Since the fund's inception, October 27, 2003.

As of June 30, 2004, unless otherwise noted.

Vanguard Target Retirement 2035 Fund: Portfolio and Performance



Total Fund Characteristics

Assets (millions)	\$133.8
30-Day Yield (SEC)	2.0%
Average Weighted Expense Ratio*	0.23%
Fund Asset Allocation	
Stocks	80%
Bonds	20%
Short-Term Reserves	0%

Current Fund Allocation

Vanguard Total Stock Market Index Fund	64%
Vanguard Total Bond Market Index Fund	20%
Vanguard European Stock Index Fund	11%
Vanguard Pacific Stock Index Fund	5%

Target Index

- Target 2035 Composite Index is made up of three unmanaged benchmarks, weighted 64% Wilshire 5000 Index, 20% Lehman Aggregate Bond Index, and 16% MSCI EAFE Index

Total Returns**

	Target Retirement 2035 Fund	Target 2035 Composite Average***	Target 2035 Composite Index†
Periods Ended June 30, 2004			
Year to Date	3.39%	3.07%	3.27%
2Q2004	0.46	0.05	0.37
Since Inception††	10.58	9.69	10.56

* For underlying funds.

** 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.

*** Target 2035 Composite Average is a composite fund average weighted 64% average general equity fund, 20% average fixed income fund, and 16% average international fund. Derived from data provided by Lipper Inc.

† Target 2035 Composite Index is made up of three unmanaged benchmarks, weighted 64% Wilshire 5000 Index, 20% Lehman Aggregate Bond Index, and 16% MSCI EAFE Index.

†† Since the fund's inception, October 27, 2003.

As of June 30, 2004, unless otherwise noted.

Vanguard Target Retirement 2045 Fund: Portfolio and Performance



Total Fund Characteristics

Assets (millions)	\$52.7
30-Day Yield (SEC)	1.7%
Average Weighted Expense Ratio*	0.23%
Fund Asset Allocation	
Stocks	90%
Bonds	10%
Short-Term Reserves	0%

Current Fund Allocation

Vanguard Total Stock Market Index Fund	72%
Vanguard European Stock Index Fund	13%
Vanguard Total Bond Market Index Fund	10%
Vanguard Pacific Stock Index Fund	5%

Target Index

- Target 2045 Composite Index is made up of three unmanaged benchmarks, weighted 72% Wilshire 5000 Index, 18% MSCI EAFE Index, and 10% Lehman Aggregate Bond Index

Total Returns**

	Target Retirement 2045 Fund	Target 2045 Composite Average***	Target 2045 Composite Index†
Periods Ended June 30, 2004			
Year to Date	3.73%	3.44%	3.67%
2Q2004	0.82	0.29	0.72
Since Inception††	11.84	10.77	11.79

* For underlying funds.

** 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.

*** Target 2045 Composite Average is a composite fund average weighted 72% average general equity fund, 18% average international fund, and 10% average fixed income fund. Derived from data provided by Lipper Inc.

† Target 2045 Composite Index is made up of three unmanaged benchmarks, weighted 72% Wilshire 5000 Index, 18% MSCI EAFE Index, and 10% Lehman Aggregate Bond Index.

†† Since the fund's inception, October 27, 2003.

As of June 30, 2004, unless otherwise noted.