Vanguard Prime Money Market Fund

Institutional Shares

Money market fund

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.

Who should invest

- Investors seeking interest income and a stable share price.
- Investors seeking liquidity (the ability to convert assets into cash).

Who should not invest

- Investors seeking long-term growth of capital.

Total net assets: $14,847 million

Expense ratio: 0.13%
as of December 23, 2008

Ticker symbol: VMRXX

Newspaper listing: VangPrInst

Inception date: October 3, 1989

Fund number: 0066

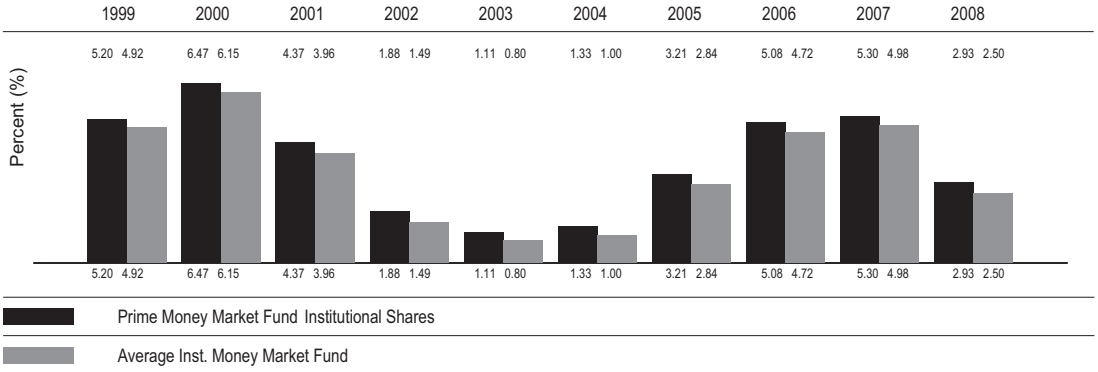
Overall risk level:

Conservative Moderate Aggressive

1 2 3 4 5

Performance

Annual returns 1999–2008



Total returns

	Periods Ended December 31, 2008						
	7-Day SEC Yield*	Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
Prime Money Market Fund Institutional Shares	2.44%	0.68%	2.93%	2.93%	4.43%	3.56%	3.67%
Average Inst. Money Market Fund	—	0.43%	2.50%	2.50%	4.06%	3.20%	3.32%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns will fluctuate. 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 www.vanguard.com/performance.

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.

Average Inst. Money Market Fund: Derived from data provided by Lipper Inc.

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

Vanguard Prime Money Market Fund

Institutional Shares

Plain talk about risk

The fund is designed for investors with a low tolerance for risk; however, the fund's performance could be hurt by:

Income risk: The chance that the fund's income will decline because of falling interest rates. Because the fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.

Manager risk: The chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

Credit risk: The chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Credit risk should be very low for the fund because it invests only in securities that are considered to be of high quality.

Industry concentration risk: The chance that there will be overall problems affecting a particular industry. Because the fund will invest more than 25% of its assets in securities of companies in the financial services industry, the fund's performance will depend to a greater extent on the overall condition of that industry.

Investment terms

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.

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.

Mutual fund: An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

Total return: The change in the net asset value of an investment, assuming reinvestment of all dividend and capital gain distributions.

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.

For more information about Vanguard funds, visit www.vanguard.com, or call 800-523-1188, to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

© 2009 The Vanguard Group, Inc. All rights reserved. Vanguard Marketing Corporation, Distributor.

F0066 122008