



# Hotchkis and Wiley Mid-Cap Value Fund

Class I

## Who Should Invest

- Investors seeking long-term growth of capital.
- Investors with a long-term investment horizon (at least five years).

## Who Should Not Invest

- Investors unwilling to accept significant fluctuations in share price.

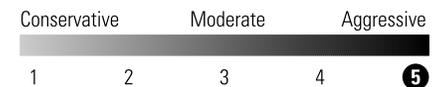
**Share Class Assets:** \$905,980,843  
as of 6/30/2004

**Expenses:** 1.15%\*

**Ticker Symbol:** HWMIX

**Fund Inception:** January 2, 1997

## Overall Risk Level:



## Investment Objective

Hotchkis and Wiley Mid-Cap Value Fund seeks capital appreciation.

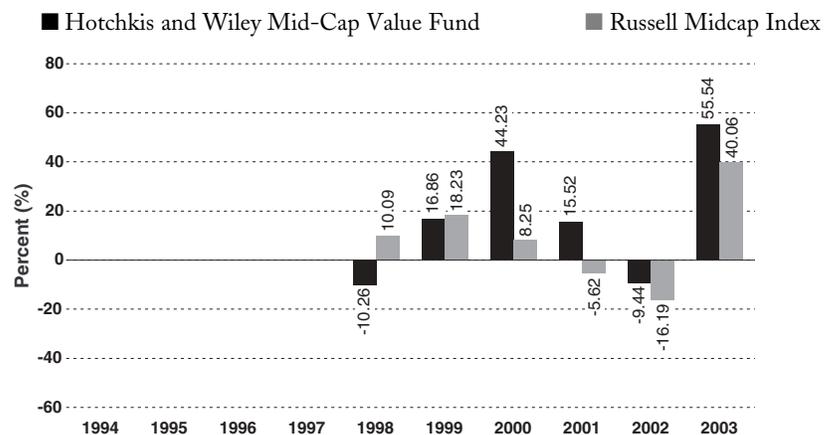
## Investment Strategy

The fund normally invests at least 80% of its net assets plus borrowings for investment purposes in common stocks of mid capitalization U.S. companies. The advisor currently considers mid-capitalization companies to be those with market capitalizations like those found in the Russell Midcap Index.

See reverse side for Fund Profile.

## Performance

Annual Returns 1998–2003 — Hotchkis and Wiley Mid-Cap Value Fund vs. Russell Midcap Index\*\*



## Total Returns for Periods Ended June 30, 2004\*\*\*

	Year to Date	1 Year	3 Years	5 Years	Since Inception
Hotchkis and Wiley Mid-Cap Value Fund	8.93%	41.66%	16.47%	19.61%	18.36%
Russell Midcap Index	6.67%	29.39%	6.42%	6.51%	—

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. For performance data current to the most recent month-end, which may be higher or lower than that cited, visit our website at [www.vanguard.com](http://www.vanguard.com).

\*For most recent fiscal year.

\*\*Russell Midcap Index, an unmanaged measure of stock market performance.

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

# Hotchkis and Wiley Mid-Cap Value Fund

## Class I

### Fund Profile

#### Top Sector Holdings

As of 5/31/2004

1. Business Services	12.2%
2. Consumer Goods	6.6
3. Consumer Services	21.4
4. Energy	2.8
5. Financial Services	34.3
6. Hardware	0.0
7. Health Care Services	2.1
8. Industrial Materials	7.1
9. Media	2.2
10. Software	2.4
11. Telecommunications	0.0
12. Utilities	9.0

#### Largest Stock Holdings\*

As of 5/31/2004

1. Sears Roebuck
2. Electronic Data Systems
3. J.C. Penney
4. FirstEnergy
5. Mandalay Resort Group
6. MI Developments
7. CIT Group
8. CSX
9. Allmerica Financial
10. Computer Associates International

Top Ten as % of Total Net Assets 22.7%

\*Fund holdings are subject to change.

### A Few Words About Risk

When investing in stock funds, losses (or gains) are common, largely because of movements in stock prices. Stock prices are affected by changing views of the economy as well as changing views of individual companies and industries. However, over extended periods the market's ups have tended to outweigh its

### Overall Risk Level:



downs. There is no guarantee this will continue. Usually, the longer you hold your investment, the lower your chances of losing money.

### Investment Terms

**Dividends:** Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

**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.

**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.

**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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