

PIMCO NFJ Small-Cap Value Fund

Class A

Who Should Invest

- Investors seeking maximum long-term total return.
- Investors with a long-term investment horizon (at least five years).

Who Should Not Invest

- Investors unwilling to accept wide fluctuations in share price.
- Investors seeking significant dividend income.

Share Class Assets: \$1,103,567,939
as of 5/31/2004

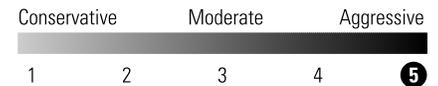
Expenses: 1.25%*

Ticker Symbol: PCVAX

Newspaper Listing: SmCpV

Fund Inception: January 20, 1997

Overall Risk Level:



Investment Objective

The PIMCO NFJ Small-Cap Value Fund seeks long-term growth of capital and income.

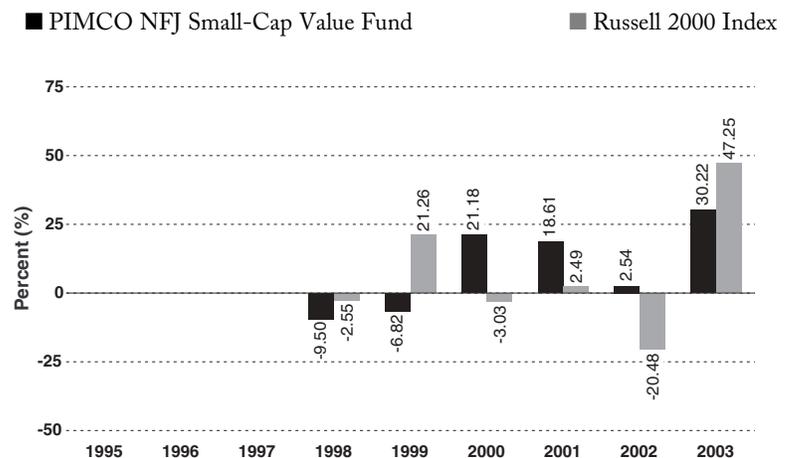
Investment Strategy

The fund invests primarily in small-capitalization securities that are considered by the fund's management to be both fundamentally sound and undervalued. The portfolio managers employ a value equity investment style that focuses on both income and capital appreciation potential and which emphasizes broad industry diversification and dividend income. In-depth research and analysis enables them to identify stocks with attractive valuations and strong long-term growth potential while controlling total portfolio risk.

See reverse side for Fund Profile.

Performance

Annual Returns 1998–2003 — PIMCO NFJ Small-Cap Value Fund vs. Russell 2000 Index**



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

	Year to Date	1 Year	3 Years	5 Years	Since Inception
PIMCO NFJ Small-Cap Value Fund	8.94%	29.04%	14.30%	13.29%	11.99%
Russell 2000 Index	6.76%	33.37%	6.24%	6.63%	—

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.

*For most recent fiscal year.

**Russell 2000 Index, an unmanaged measure of U.S. stock market performance.

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

PIMCO

NFJ Small-Cap Value Fund

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Fund Profile

Top Sector Holdings

As of 4/30/2004

1. Business Services	11.1%
2. Consumer Goods	11.2
3. Consumer Services	13.6
4. Energy	13.6
5. Financial Services	19.1
6. Hardware	1.5
7. Health Care Services	4.9
8. Industrial Materials	15.6
9. Media	0.0
10. Software	0.0
11. Telecommunications	0.0
12. Utilities	9.4

Largest Stock Holdings*

As of 4/30/2004

1. Landry's Restaurants
2. St. Mary Land & Exploration
3. United Auto Group
4. Select Medical
5. American Financial Group
6. Cooper Companies
7. Cabot Oil & Gas A
8. John H Harland
9. Borders Group
10. Vintage Petroleum

Top Ten as % of Total Net Assets 10.1%

*Fund holdings are subject to change.

A Few Words About Risk

When investing in stock funds, short-term losses (or gains) have been common, largely as a result of sudden movements in stock prices as views change about the economy and individual companies. However, over extended periods the market's ups have tended to outweigh its downs. There is no guarantee this will continue. Usually, the longer you hold your investment, the lower your chances of losing money.

Overall Risk Level:



The PIMCO NFJ Small-Cap Value Fund holds stocks of small companies, which historically have been more volatile in price than larger company stocks. As a result, the fund carries a higher level of risk than most funds that hold common stocks.

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 average annual 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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