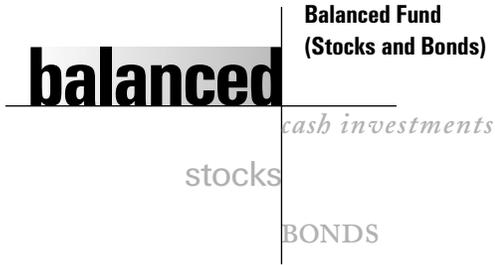


# Vanguard®

## Target Retirement 2005 Fund



### Investment Objective

Vanguard Target Retirement 2005 Fund seeks to provide growth of capital and current income consistent with its current asset allocation.

### Investment Strategy

Vanguard Target Retirement 2005 Fund currently invests in other Vanguard® mutual funds according to an asset allocation strategy designed for investors planning to retire in or within a few years of 2005. The fund's asset allocation will become more conservative over time. Within 5 to 10 years after 2005, the fund's asset allocation should become similar to that of the Target Retirement Income Fund. The initial asset allocation for the fund is as follows: Vanguard® Total Bond Market Index Fund, 50%; Vanguard® Total Stock Market Index Fund, 35%; and Vanguard® Inflation-Protected Securities Fund, 15%.

The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term investment-grade, taxable U.S. government, U.S. agency, and corporate bonds; inflation-indexed bonds issued by the U.S. government; and mortgage-backed securities. The indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, of mid- and small-cap U.S. stocks.

See reverse side for Fund Profile.

### Who Should Invest

- Investors seeking both a high level of income and moderate growth of capital and income.
- Investors seeking a simple way to achieve a broadly diversified holding of stocks and fixed income investments.
- Investors seeking to retire in or near 2005.

### Who Should Not Invest

- Investors unwilling to accept significant fluctuations in share price.
- Investors seeking maximum long-term growth of capital.
- Investors expecting a guaranteed sum or level of income upon retirement.

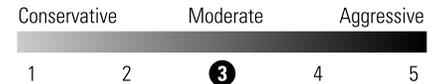
**Assets:** \$179,611,765

**Expenses:** 0.21%\*

**Ticker Symbol:** VTOVX

**Inception:** October 27, 2003

### Overall Risk Level:



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

	Year to Date	Since Inception
Target Retirement 2005 Fund	1.84%	5.67%
Target 2005 Composite Index	1.74%	5.70%

*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).*

\*Average weighted expense ratio, based on expenses incurred by Vanguard funds in each Vanguard Target Retirement Fund.

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

# Vanguard

## Target Retirement 2005 Fund

---

### Fund Profile

#### Target Allocation of Underlying Vanguard Funds\*

Vanguard® Total Bond Market Index Fund	50.0%
Vanguard® Total Stock Market Index Fund	35.0
Vanguard® Inflation-Protected Securities Fund	15.0

\*Fund holdings are subject to change.

### A Few Words About Risk

When investing in balanced funds, short-term losses (or gains) are common, largely as a result of sudden movements in the prices of stocks and bonds as interest rates fluctuate and economic conditions change. 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 investments, the lower your chances of losing money.

Also, because stock and bond prices often (but not always) move in opposite directions, a fund that holds

### Overall Risk Level:

both stocks and bonds can help to lessen the volatility of either category.

Balanced fund investors should also consider credit risk, the possibility that a bond issuer may be unable to make interest payments or to pay back the original investment on time—or at all. Bonds issued by the U.S. government and its agencies carry the highest level of credit protection.

---

### Investment Terms

**Bond:** An investment in which you lend money to a company, a government, or a government agency. The bond issuer agrees to pay back the loan by a certain date and to pay interest during that period.

**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.

**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, 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.

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

**For more information about Vanguard funds, visit [www.vanguard.com](http://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.**