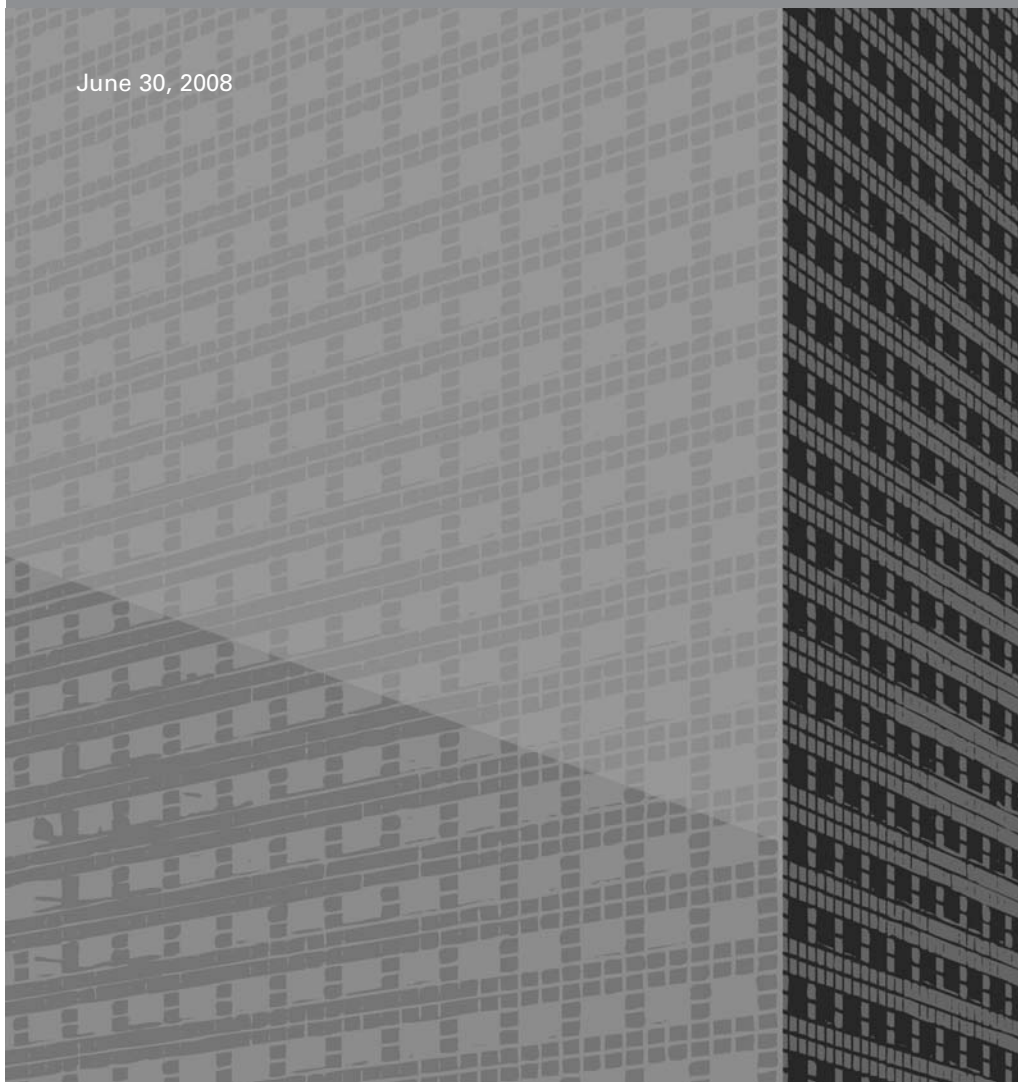




Vanguard®

Vanguard® 500 Index Fund Semiannual Report

June 30, 2008



- > For the fiscal half-year ended June 30, 2008, Vanguard 500 Index Fund returned –12.0% for Investor Shares, closely tracking the performance of its target benchmark.

- > The biggest detractors for the period were financials and information technology, both struggling in a challenging economic environment.

- > Two bright spots for the fund were energy and materials, the only sectors with positive results for the six-month period.

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Please note: The opinions expressed in this report are just that—informed opinions. They should not be considered promises or advice. Also, please keep in mind that the information and opinions cover the period through the date on the cover of this report. Of course, the risks of investing in your fund are spelled out in the prospectus.

Your Fund's Total Returns

Six Months Ended June 30, 2008

	Ticker Symbol	Total Returns
Vanguard 500 Index Fund		
Investor Shares	VFINX	-12.0%
Admiral™ Shares ¹	VFIAX	-11.9
Signal® Shares ²	VIFSX	-11.9
S&P 500 Index		-11.9
Average Large-Cap Core Fund ³		-11.5

Your Fund's Performance at a Glance

December 31, 2007–June 30, 2008

	Starting Share Price	Ending Share Price	Distributions Per Share	
			Income Dividends	Capital Gains
Vanguard 500 Index Fund				
Investor Shares	\$135.15	\$117.83	\$1.170	\$0.000
Admiral Shares	135.15	117.83	1.221	0.000
Signal Shares	111.64	97.33	1.008	0.000

1 A lower-cost class of shares available to many longtime shareholders and to those with significant investments in the fund.

2 Signal Shares also carry lower costs and are available to certain institutional shareholders who meet specific administrative, service, and account-size criteria.

3 Derived from data provided by Lipper Inc.



Chairman's Letter

Dear Shareholder,

Vanguard 500 Index Fund returned -12.0% for Investor Shares during the tumultuous six months ended June 30, 2008, closely tracking the performance of its target, the Standard & Poor's 500 Index. The fund's return was a bit below the average return of large-cap core funds.

The fund's Admiral and Signal share classes each returned -11.9% for the period.

Stocks worldwide struggled in downbeat economic environment

The broad U.S. stock market faltered during the half-year as investors digested a series of dispiriting economic developments. Prices for oil and other commodities soared to new highs, the housing market further deteriorated, consumer confidence wavered, and unresolved issues in the credit markets haunted the financials sector.

Against that backdrop, U.S. stocks grew increasingly volatile, falling in the first three months, then rallying in April and May before falling again (sharply) in June. For the six months ended June 30, the broad U.S. market returned -10.9%. Small-capitalization stocks performed better than large-caps, and growth stocks outpaced their value-oriented counterparts.

International stocks traced a similar path, and only a handful of major foreign markets posted positive results for the period.

Bond investors continued to prefer short-term, high-quality issues

Bonds fared better than stocks during the six months but managed only modest returns. Fixed income investors showed a marked preference for the safety of short-term, high-quality issues, most notably U.S. Treasury securities. The broad taxable bond market returned 1.1%. The tax-exempt bond market experienced unusual turbulence en route to a flat return for the period.

At its June meeting, the Federal Reserve Board voted to leave its target for the federal funds rate unchanged at 2.00%, marking the end of an aggressive rate-cutting campaign that began in

September 2007. The central bank's decision to hold rates steady signaled its growing concern about near-term inflation.

Financial stocks' troubles hit the fund especially hard

The S&P 500 Index and Vanguard 500 Index Fund, like the rest of the broad stock market, had a difficult six months. Extra challenges came from investors' preference for smaller-cap stocks in the period and from the deep distress in the financials sector—the largest industry group in the index at the beginning of the period.

Financial stocks were by far the largest detractors for the half-year, returning –30% as a group. Risky loans and high levels of write-offs shook investors' confidence in

Market Barometer

	Total Returns Periods Ended June 30, 2008		
	Six Months	One Year	Five Years ¹
Stocks			
Russell 1000 Index (Large-caps)	–11.2%	–12.4%	8.2%
Russell 2000 Index (Small-caps)	–9.4	–16.2	10.3
Dow Jones Wilshire 5000 Index (Entire market)	–10.9	–12.5	8.8
MSCI All Country World Index ex USA (International)	–9.8	–6.2	19.4
Bonds			
Lehman U.S. Aggregate Bond Index (Broad taxable market)	1.1%	7.1%	3.9%
Lehman Municipal Bond Index	0.0	3.2	3.5
Citigroup 3-Month Treasury Bill Index	1.1	3.3	3.1
CPI			
Consumer Price Index	4.2%	5.0%	3.6%

¹ Annualized.

the market's largest investment and commercial banks, including Lehman Brothers and Bear Stearns (which was sold to JPMorgan Chase after a dramatic intervention by the Federal Reserve). Mortgage companies, such as Freddie Mac and Fannie Mae, were rocked by the continuing credit crisis.

Information technology stocks also weighed on index returns. Apple and Hewlett-Packard were hurt as computer and electronic sales hit a rough patch. Internet companies Google and Yahoo! suffered from weakness in online advertising sales.

In the health care sector, pharmaceutical giants Merck and Pfizer suffered from a backlog in the Food and Drug Administration's approval process along with other regulatory setbacks. Stocks of managed health care companies, such as UnitedHealth Group and WellPoint, were also down for the period. In industrials, General Electric, a large constituent of the index, returned -27% for the six months.

The only two positive areas for the fund were energy and materials. Energy prices continued to surge, lifting the stock prices of production and exploration companies, as well as those of equipment suppliers. The materials sector has continued to benefit from the global boom in commodities prices, as fast-developing

Annualized Expense Ratios¹

Your Fund Compared With Its Peer Group

	Investor Shares	Admiral Shares	Signal Shares	Average Large-Cap Core Fund
500 Index Fund	0.15%	0.07%	0.07%	1.29%

¹ Fund expense ratios reflect the six months ended June 30, 2008. Peer-group expense ratio is derived from data provided by Lipper Inc. and captures information through year-end 2007.

Asian markets build new plants, equipment, and infrastructure on a massive scale.

A long-term focus is key during hard times

The past several months have been a difficult time for investors as the turmoil in the U.S. markets continued. Such volatility is a good reminder of why we suggest that shareholders maintain both a well-balanced portfolio and a long-term perspective. When you can take the long view, supported by a well-thought-out investment plan, the market's month-to-month ups and downs don't seem as threatening.

In practice, this means building a portfolio that includes stocks, bonds, and short-term reserves. Such a balanced investment program can provide some protection against market volatility while allowing you to participate in the long-term potential for growth in each asset class. The 500 Index Fund provides efficient exposure to much of the broad U.S. stock market through a diverse group of stocks. As part of a well-balanced portfolio, the fund can play a useful role in helping investors work toward their long-term financial goals.

As I close this report to you, it's my pleasure to introduce the fund's new president, F. William McNabb III. Bill is a man of great character and integrity who is intimately familiar with all aspects of Vanguard—from how we serve our clients to how we invest for them.

Bill and I have worked together very closely for more than two decades. I'm thrilled that the fund's board elected him president and designated him to succeed me as chief executive officer, a role he will assume later this year, after an orderly transition. Bill and the rest of our team will serve you and our other clients extremely well in the years ahead.

Thank you, as always, for investing with Vanguard.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Brennan". The signature is fluid and cursive, with a long horizontal line extending to the right from the end of the name.

John J. Brennan
Chairman and Chief Executive Officer
July 12, 2008

Fund Profile

As of June 30, 2008

Portfolio Characteristics

	Fund	Target Index ¹
Number of Stocks	508	500
Median Market Cap	\$44.9B	\$44.9B
Price/Earnings Ratio	16.2x	16.2x
Price/Book Ratio	2.4x	2.4x
Yield		2.3%
Investor Shares ²	2.2%	
Admiral Shares ²	2.2%	
Signal Shares ²	2.2%	
Return on Equity	20.8%	20.8%
Earnings Growth Rate	19.7%	19.7%
Foreign Holdings	0.0%	0.0%
Turnover Rate ³	3%	—
Expense Ratio ³		—
Investor Shares	0.15%	
Admiral Shares	0.07%	
Signal Shares	0.07%	
Short-Term Reserves	0.1%	—

Sector Diversification (% of equity exposure)

	Fund	Target Index ¹
Consumer Discretionary	8.1%	8.1%
Consumer Staples	10.8	10.8
Energy	16.2	16.2
Financials	14.2	14.3
Health Care	11.9	11.9
Industrials	11.1	11.1
Information Technology	16.5	16.5
Materials	3.9	3.8
Telecommunication Services	3.3	3.3
Utilities	4.0	4.0

Volatility Measures⁴

	Fund Versus Target Index ¹
R-Squared	1.00
Beta	1.00

Ten Largest Holdings⁵ (% of total net assets)

ExxonMobil Corp.	integrated oil and gas	4.2%
General Electric Co.	industrial conglomerate	2.4
Microsoft Corp.	systems software	2.0
Chevron Corp.	integrated oil and gas	1.8
AT&T Inc.	integrated telecommunication services	1.8
The Procter & Gamble Co.	household products	1.7
Johnson & Johnson	pharmaceuticals	1.6
International Business Machines Corp.	computer hardware	1.5
Apple Inc.	computer hardware	1.3
ConocoPhillips Co.	integrated oil and gas	1.3
Top Ten		19.6%

Investment Focus

Style		Value	Blend	Growth
Market Cap	Large			
	Medium			
	Small			

¹ S&P 500 Index.

² 30-day SEC yield for the fund; annualized dividend yield for the index. See the *Glossary* on pages 27–28.

³ Annualized.

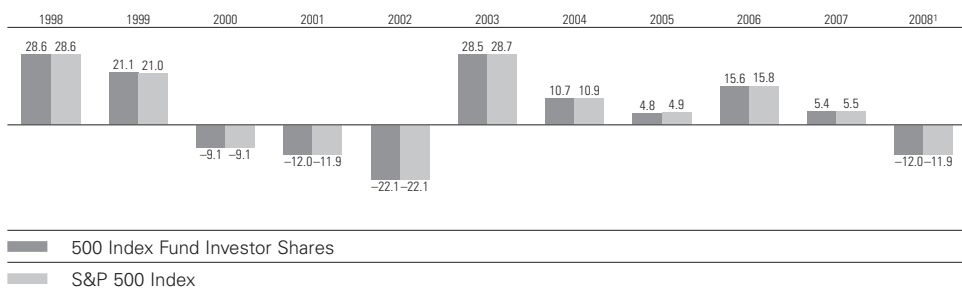
⁴ For an explanation of *R-squared*, *beta*, and other terms used here, see the *Glossary* on pages 27–28.

⁵ The holdings listed exclude any temporary cash investments and equity index products.

Performance Summary

All of the returns in this report represent past performance, which is not a guarantee of future results that may be achieved by the fund. (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.) Note, too, that both investment returns and principal value can fluctuate widely, so an investor's shares, when sold, could be worth more or less than their original cost. The returns shown do not reflect taxes that a shareholder would pay on fund distributions or on the sale of fund shares.

Fiscal-Year Total Returns (%): December 31, 1997–June 30, 2008



Average Annual Total Returns: Periods Ended June 30, 2008

	Inception Date	One Year	Five Years	Ten Years
Investor Shares ²	8/31/1976	-13.19%	7.45%	2.81%
Admiral Shares	11/13/2000	-13.13	7.54	1.00 ³
Signal Shares	9/29/2006	-13.13	-0.52 ³	—

¹ Six months ended June 30, 2008.

² Total returns do not include the account service fee that may be applicable to certain accounts with balances under \$10,000.

³ Return since inception.

Note: See *Financial Highlights* tables on pages 17–19 for dividend and capital gains information.

Financial Statements (unaudited)

Statement of Net Assets

As of June 30, 2008

The fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth fiscal quarters, the lists appear in the fund's semiannual and annual reports to shareholders. For the first and third fiscal quarters, the fund files the lists with the Securities and Exchange Commission on Form N-Q. Shareholders can look up the fund's Forms N-Q on the SEC's website at www.sec.gov. Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room (see the back cover of this report for further information).

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Common Stocks (100.0%)¹			Starwood Hotels & Resorts		
Consumer Discretionary (8.1%)			Worldwide, Inc.		
McDonald's Corp.	10,838,148	609,321	*	1,791,042	71,767
The Walt Disney Co.	18,216,396	568,352	*	2,505,056	70,392
Comcast Corp. Class A	28,159,968	534,195		3,092,488	66,179
Time Warner, Inc.	34,214,188	506,370		Genuine Parts Co.	1,587,588
Home Depot, Inc.	16,226,029	380,014	^	General Motors Corp.	5,393,355
Target Corp.	7,443,548	346,051	*	GameStop Corp. Class A	1,531,159
News Corp., Class A	22,010,032	331,031		VF Corp.	835,123
Lowe's Cos., Inc.	13,995,884	290,415		Mattel, Inc.	3,468,670
* Amazon.com, Inc.	2,955,327	216,714	*	Apollo Group, Inc. Class A	1,307,238
NIKE, Inc. Class B	3,627,468	216,233		Nordstrom, Inc.	1,702,816
* Viacom Inc. Class B	5,978,513	182,584		Abercrombie & Fitch Co.	819,946
* DIRECTV Group, Inc.	6,788,651	175,894	*	AutoZone Inc.	417,587
Clear Channel			^	Sears Holdings Corp.	668,963
Communications, Inc.	4,739,415	166,827		Tiffany & Co.	1,208,683
Johnson Controls, Inc.	5,652,490	162,113		Limited Brands, Inc.	2,863,617
Yum! Brands, Inc.	4,526,860	158,848	^	Gannett Co., Inc.	2,195,938
Staples, Inc.	6,680,731	158,667		Hasbro, Inc.	1,325,534
Omnicom Group Inc.	3,054,652	137,093		Whirlpool Corp.	731,115
Carnival Corp.	4,155,829	136,976		Newell Rubbermaid, Inc.	2,630,348
Best Buy Co., Inc.	3,307,331	130,970		Darden Restaurants Inc.	1,364,181
TJX Cos., Inc.	4,060,677	127,789		Sherwin-Williams Co.	945,095
CBS Corp.	6,410,316	124,937	*	The Goodyear	
The McGraw-Hill Cos., Inc.	3,075,501	123,389		Tire & Rubber Co.	2,284,768
* Kohl's Corp.	2,932,639	117,423		Eastman Kodak Co.	2,736,759
* Starbucks Corp.	6,959,139	109,537	*	Interpublic Group	
* ^ Ford Motor Co.	21,331,483	102,604		of Cos., Inc.	4,483,968
* Coach, Inc.	3,263,221	94,242	*	Expedia, Inc.	1,984,196
Fortune Brands, Inc.	1,465,401	91,456		E.W. Scripps Co.	
Harley-Davidson, Inc.	2,282,407	82,760		Class A	853,080
Macy's Inc.	4,039,187	78,441		Polo Ralph Lauren Corp.	560,226
J.C. Penney Co., Inc.				Black & Decker Corp.	591,837
(Holding Co.)	2,110,121	76,576	*	IAC/InterActiveCorp	1,744,792
Marriott International, Inc.				The Stanley Works	744,493
Class A	2,862,585	75,114		Washington Post Co.	
International Game				Class B	55,273
Technology	2,981,966	74,490		Wyndham Worldwide Corp.	1,689,571
The Gap, Inc.	4,325,808	72,111		Snap-On Inc.	549,339
			*	Office Depot, Inc.	2,600,732
				D. R. Horton, Inc.	2,607,728
				Leggett & Platt, Inc.	1,615,374
					27,090

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Family Dollar Stores, Inc.	1,335,469	26,629	The Clorox Co.	1,320,850	68,948
* Big Lots Inc.	775,130	24,215	Campbell Soup Co.	2,060,218	68,935
Harmar International Industries, Inc.	575,838	23,834	SuperValu Inc.	2,011,993	62,150
Wendy's International, Inc.	827,902	22,535	Brown-Forman Corp. Class B	817,654	61,790
^New York Times Co. Class A	1,362,513	20,969	The Hershey Co.	1,600,898	52,477
Pulte Homes, Inc.	2,034,180	19,589	The Estee Lauder Cos. Inc. Class A	1,086,152	50,452
Lennar Corp. Class A	1,319,367	16,281	Coca-Cola Enterprises, Inc.	2,739,549	47,394
Centex Corp.	1,162,257	15,539	McCormick & Co., Inc.	1,215,671	43,351
RadioShack Corp.	1,243,881	15,262	Tyson Foods, Inc.	2,600,915	38,858
Liz Claiborne, Inc.	944,691	13,367	The Pepsi Bottling Group, Inc.	1,315,048	36,716
* AutoNation, Inc.	1,305,305	13,079	* Constellation Brands, Inc. Class A	1,846,978	36,681
KB Home	732,813	12,407	Wm. Wrigley Jr. Co. Class B	415,980	32,363
Jones Apparel Group, Inc.	816,875	11,232	^Whole Foods Market, Inc.	1,328,216	31,465
Meredith Corp.	360,522	10,199	* Dean Foods Co.	1,440,458	28,262
^Dillard's Inc.	545,297	6,309			11,509,430
Comcast Corp. Special Class A	150,777	2,829			
* Viacom Inc. Class A	71,693	2,195	Energy (16.2%)		
CBS Corp. Class A	71,693	1,397	ExxonMobil Corp.	50,495,497	4,450,168
News Corp., Class B	9,800	150	Chevron Corp.	19,766,864	1,959,489
		8,662,997	ConocoPhillips Co.	14,748,048	1,392,068
Consumer Staples (10.8%)			Schlumberger Ltd.	11,411,540	1,225,942
The Procter & Gamble Co.	29,191,001	1,775,105	Occidental Petroleum Corp.	7,847,434	705,170
Wal-Mart Stores, Inc.	22,256,901	1,250,838	Devon Energy Corp.	4,265,997	512,602
Philip Morris International Inc.	20,168,218	996,108	* Transocean, Inc.	3,048,920	464,625
The Coca-Cola Co.	19,100,117	992,824	Apache Corp.	3,189,697	443,368
PepsiCo, Inc.	15,165,245	964,358	Halliburton Co.	8,341,111	442,663
CVS/Caremark Corp.	13,666,998	540,803	* National Oilwell Varco Inc.	3,960,113	351,341
Anheuser-Busch Cos., Inc.	6,810,860	423,091	Marathon Oil Corp.	6,751,795	350,216
Kraft Foods Inc.	14,495,470	412,396	Hess Corp.	2,686,571	339,018
Altria Group, Inc.	20,024,835	411,711	Anadarko Petroleum Corp.	4,475,977	334,982
Colgate-Palmolive Co.	4,857,452	335,650	XTO Energy, Inc.	4,883,281	334,554
Walgreen Co.	9,443,090	306,995	* Weatherford International Ltd.	6,497,893	322,231
Costco Wholesale Corp.	4,142,278	290,539	EOG Resources, Inc.	2,374,225	311,498
Kimberly-Clark Corp.	4,004,113	239,366	Chesapeake Energy Corp.	4,594,365	303,044
Archer-Daniels-Midland Co.	6,130,572	206,907	Baker Hughes, Inc.	2,945,620	257,270
General Mills, Inc.	3,206,242	194,843	Peabody Energy Corp.	2,596,084	228,585
The Kroger Co.	6,325,821	182,626	Williams Cos., Inc.	5,569,505	224,507
Sysco Corp.	5,745,816	158,067	Valero Energy Corp.	5,053,199	208,091
Avon Products, Inc.	4,062,952	146,348	CONSOL Energy, Inc.	1,747,618	196,380
H.J. Heinz Co.	3,002,708	143,680	Murphy Oil Corp.	1,807,702	177,245
Wm. Wrigley Jr. Co.	1,645,572	127,993	Spectra Energy Corp.	6,026,194	173,193
Safeway, Inc.	4,192,686	119,701	Noble Corp.	2,556,965	166,100
Kellogg Co.	2,426,716	116,531	Noble Energy, Inc.	1,637,033	164,620
* Lorillard, Inc.	1,655,069	114,465	Smith International, Inc.	1,913,361	159,077
ConAgra Foods, Inc.	4,645,590	89,567	* Southwestern Energy Co.	3,253,736	154,910
Sara Lee Corp.	6,753,329	82,728	El Paso Corp.	6,668,931	144,983
UST, Inc.	1,421,837	77,647	* Nabors Industries, Inc.	2,678,993	131,887
Reynolds American Inc.	1,628,404	75,998	* Cameron International Corp.	2,077,591	114,995
Molson Coors Brewing Co. Class B	1,338,176	72,703	ENSCO International, Inc.	1,370,344	110,642
			Range Resources Corp.	1,477,444	96,832
			BJ Services Co.	2,786,354	88,996

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Cabot Oil & Gas Corp.	930,922	63,051	The Principal Financial		
Massey Energy Co.	636,704	59,691	Group, Inc.	2,471,439	103,726
Rowan Cos., Inc.	1,059,430	49,528	Boston		
Sunoco, Inc.	1,119,278	45,543	Properties, Inc. REIT	1,138,326	102,700
Tesoro Corp.	1,309,616	25,891	Freddie Mac	6,150,763	100,873
		17,284,996	Equity Residential REIT	2,569,203	98,323
Financials (14.2%)			Public Storage, Inc. REIT	1,186,574	95,863
JPMorgan Chase & Co.	33,016,537	1,132,797	General Growth		
Bank of America Corp.	42,575,187	1,016,270	Properties Inc. REIT	2,539,168	88,947
Citigroup, Inc.	52,054,178	872,428	Ameriprise Financial, Inc.	2,124,092	86,387
Wells Fargo & Co.	31,577,958	749,976	* SLM Corp.	4,438,179	85,879
American International			Kimco Realty Corp. REIT	2,405,162	83,026
Group, Inc.	25,708,653	680,251	Hudson City Bancorp, Inc.	4,935,164	82,319
The Goldman Sachs			Leucadia National Corp.	1,691,058	79,378
Group, Inc.	3,764,595	658,428	* IntercontinentalExchange Inc.	667,227	76,064
U.S. Bancorp	16,642,384	464,156	Genworth Financial Inc.	4,149,402	73,901
American Express Co.	11,076,198	417,240	Regions Financial Corp.	6,600,910	72,016
Bank of New York			HCP, Inc. REIT	2,227,941	70,871
Mellon Corp.	10,936,651	413,734	Plum Creek Timber Co.		
Morgan Stanley	10,586,090	381,840	Inc. REIT	1,629,659	69,603
MetLife, Inc.	6,791,581	358,392	Host Hotels & Resorts		
Wachovia Corp.	20,440,081	317,434	Inc. REIT	4,980,009	67,977
Merrill Lynch & Co., Inc.	9,421,275	298,749	Unum Group	3,300,216	67,489
AFLAC Inc.	4,544,942	285,422	^ Moody's Corp.	1,956,472	67,381
State Street Corp.	4,079,260	261,032	Avalonbay Communities,		
The Travelers Cos., Inc.	5,781,760	250,928	Inc. REIT	730,910	65,168
Prudential Financial, Inc.	4,182,224	249,846	Assurant, Inc.	910,469	60,055
The Allstate Corp.	5,266,084	240,081	Discover Financial		
CME Group, Inc.	521,261	199,742	Services	4,559,636	60,050
Fannie Mae	10,146,981	197,968	Legg Mason Inc.	1,349,474	58,797
The Hartford Financial			Safeco Corp.	853,610	57,328
Services Group Inc.	3,009,145	194,300	Fifth Third Bancorp	5,495,727	55,946
Simon Property			^ M & T Bank Corp.	732,447	51,667
Group, Inc. REIT	2,149,038	193,177	Torchmark Corp.	872,309	51,161
PNC Financial Services			KeyCorp	4,609,548	50,613
Group	3,306,886	188,823	^ Washington Mutual, Inc.	10,078,777	49,688
Charles Schwab Corp.	8,879,019	182,375	^ American Capital		
ACE Ltd.	3,183,171	175,361	Strategies, Ltd.	1,939,995	46,114
The Chubb Corp.	3,494,590	171,270	Cincinnati Financial Corp.	1,575,342	40,014
Loews Corp.	3,448,512	161,735	Developers Diversified		
T. Rowe Price Group Inc.	2,483,045	140,218	Realty Corp. REIT	1,136,168	39,436
Franklin Resources Corp.	1,498,443	137,332	Marshall & Ilsley Corp.	2,490,135	38,174
Capital One Financial Corp.	3,587,462	136,359	Janus Capital Group Inc.	1,405,224	37,196
ProLogis REIT	2,506,581	136,233	Comerica, Inc.	1,434,067	36,755
Lehman Brothers			XL Capital Ltd. Class A	1,690,899	34,765
Holdings, Inc.	6,703,571	132,798	^ National City Corp.	7,241,624	34,543
Aon Corp.	2,856,241	131,216	Sovereign Bancorp, Inc.	4,558,541	33,551
Marsh & McLennan			Zions Bancorp	1,024,630	32,266
Cos., Inc.	4,891,432	129,868	* CB Richard		
NYSE Euronext	2,522,914	127,811	Ellis Group, Inc.	1,653,013	31,738
Northern Trust Corp.	1,828,706	125,394	Apartment Investment &		
SunTrust Banks, Inc.	3,353,546	121,465	Management Co.		
Progressive Corp. of Ohio	6,453,087	120,802	Class A REIT	872,632	29,722
^ BB&T Corp.	5,200,259	118,410	Federated Investors, Inc.	820,544	28,243
Lincoln National Corp.	2,497,937	113,206	^ Countrywide Financial Corp.	5,521,687	23,467
Vornado Realty Trust REIT	1,286,001	113,168	Huntington Bancshares Inc.	3,485,550	20,112

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
CIT Group Inc.	2,690,066	18,319	IMS Health, Inc.	1,744,028	40,636
* ^E*TRADE Financial Corp.	4,374,901	13,737	* Patterson Cos.	1,230,406	36,162
^First Horizon National Corp.	1,775,998	13,196	* Millipore Corp.	523,429	35,520
^MBIA, Inc.	1,998,903	8,775	^Mylan Inc.	2,896,693	34,963
^MGIC Investment Corp.	1,191,582	7,281	PerkinElmer, Inc.	1,127,966	31,414
		15,198,635	* Watson		
Health Care (11.9%)			Pharmaceuticals, Inc.	986,556	26,805
Johnson & Johnson	26,946,041	1,733,708	* Tenet Healthcare Corp.	4,514,772	25,102
Pfizer Inc.	64,685,215	1,130,051	* King Pharmaceuticals, Inc.	2,341,687	24,517
Abbott Laboratories	14,756,222	781,637			12,714,177
Merck & Co., Inc.	20,523,897	773,546	Industrials (11.1%)		
Wyeth	12,747,869	611,388	General Electric Co.	95,303,064	2,543,639
Medtronic, Inc.	10,737,792	555,681	United Parcel Service, Inc.	9,760,859	600,000
* Amgen, Inc.	10,409,553	490,915	United Technologies Corp.	9,305,218	574,132
* Gilead Sciences, Inc.	8,820,111	467,025	The Boeing Co.	7,184,923	472,193
Eli Lilly & Co.	9,457,991	436,581	3M Co.	6,742,475	469,209
Bristol-Myers Squibb Co.	18,927,886	388,589	Caterpillar, Inc.	5,878,046	433,917
Baxter International, Inc.	5,998,603	383,551	Union Pacific Corp.	4,940,834	373,033
UnitedHealth Group Inc.	11,748,126	308,388	Emerson Electric Co.	7,465,282	369,158
Schering-Plough Corp.	15,503,148	305,257	Honeywell International Inc.	7,092,335	356,603
* Celgene Corp.	4,162,006	265,827	General Dynamics Corp.	3,810,102	320,811
* WellPoint Inc.	5,030,950	239,775	Lockheed Martin Corp.	3,229,643	318,637
Covidien Ltd.	4,776,644	228,753	Deere & Co.	4,120,483	297,210
* Medco Health			Burlington Northern		
Solutions, Inc.	4,844,375	228,654	Santa Fe Corp.	2,803,328	280,024
* Thermo Fisher			CSX Corp.	3,871,410	243,163
Scientific, Inc.	3,986,496	222,167	FedEx Corp.	2,964,715	233,590
Becton, Dickinson & Co.	2,323,985	188,940	Norfolk Southern Corp.	3,582,870	224,538
Aetna Inc.	4,635,353	187,871	Raytheon Co.	3,983,874	224,212
* Genzyme Corp.	2,548,034	183,509	Northrop Grumman Corp.	3,270,581	218,802
Cardinal Health, Inc.	3,396,450	175,189	Danaher Corp.	2,424,204	187,391
* Boston Scientific Corp.	12,875,819	158,244	Tyco International, Ltd.	4,617,049	184,867
* Biogen Idec Inc.	2,801,718	156,588	Illinois Tool Works, Inc.	3,813,194	181,165
Allergan, Inc.	2,940,316	153,043	Waste Management, Inc.	4,715,945	177,838
* Zimmer Holdings, Inc.	2,220,086	151,077	Fluor Corp.	844,152	157,080
* Express Scripts Inc.	2,408,096	151,036	PACCAR, Inc.	3,493,627	146,138
McKesson Corp.	2,651,113	148,224	Eaton Corp.	1,570,978	133,486
Stryker Corp.	2,272,326	142,884	Precision Castparts Corp.	1,323,806	127,575
* St. Jude Medical, Inc.	3,239,942	132,449	Cummins Inc.	1,930,751	126,503
* Forest Laboratories, Inc.	2,913,915	101,229	Parker Hannifin Corp.	1,603,672	114,374
* Intuitive Surgical, Inc.	367,723	99,065	Textron, Inc.	2,366,758	113,439
CIGNA Corp.	2,668,608	94,442	Ingersoll-Rand Co.	3,024,978	113,225
C.R. Bard, Inc.	949,214	83,483	ITT Industries, Inc.	1,727,047	109,374
* Laboratory Corp. of			L3 Communications		
America Holdings	1,051,098	73,188	Holdings, Inc.	1,166,263	105,978
Quest Diagnostics, Inc.	1,496,661	72,543	* Jacobs Engineering		
* Humana Inc.	1,618,715	64,376	Group Inc.	1,154,237	93,147
* Varian Medical			Southwest Airlines Co.	7,001,259	91,296
Systems, Inc.	1,196,081	62,017	C.H. Robinson		
AmerisourceBergen Corp.	1,546,850	61,859	Worldwide Inc.	1,630,037	89,391
* Waters Corp.	952,389	61,429	Dover Corp.	1,825,669	88,308
* Hospira, Inc.	1,509,411	60,542	Expeditors International		
Applera Corp.-Applied			of Washington, Inc.	2,027,442	87,180
Biosystems Group	1,591,616	53,287	Rockwell Collins, Inc.	1,545,576	74,126
* Barr Pharmaceuticals Inc.	1,026,947	46,295	Pitney Bowes, Inc.	2,007,910	68,470
* Coventry Health Care Inc.	1,471,267	44,756			

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Cooper Industries, Inc.			* NVIDIA Corp.	5,287,340	98,979
Class A	1,663,775	65,719	Paychex, Inc.	3,082,528	96,421
Rockwell Automation, Inc.	1,411,582	61,728	* Cognizant Technology		
R.R. Donnelley & Sons Co.	2,044,222	60,693	Solutions Corp.	2,746,590	89,292
Goodrich Corp.	1,189,721	56,464	Analog Devices, Inc.	2,795,975	88,828
Masco Corp.	3,472,130	54,617	CA, Inc.	3,714,760	85,774
W.W. Grainger, Inc.	621,757	50,860	* Intuit, Inc.	3,069,291	84,620
* Terex Corp.	969,975	49,828	* Sun Microsystems, Inc.	7,553,399	82,181
Pall Corp.	1,166,788	46,298	* Autodesk, Inc.	2,141,227	72,395
Avery Dennison Corp.	1,013,376	44,518	* Fiserv, Inc.	1,564,760	70,993
Equifax, Inc.	1,246,404	41,904	* NetApp, Inc.	3,273,013	70,893
* Allied Waste			* VeriSign, Inc.	1,855,041	70,121
Industries, Inc.	3,200,261	40,387	Linear Technology Corp.	2,115,180	68,891
The Manitowoc Co., Inc.	1,235,916	40,204	* Computer Sciences Corp.	1,439,897	67,445
Ryder System, Inc.	551,949	38,018	Xilinx, Inc.	2,670,071	67,419
Robert Half			KLA-Tencor Corp.	1,620,252	65,960
International, Inc.	1,529,443	36,661	* BMC Software, Inc.	1,826,207	65,743
Cintas Corp.	1,268,519	33,628	Fidelity National		
* Monster Worldwide Inc.	1,213,721	25,015	Information Services, Inc.	1,627,891	60,085
* Raytheon Co.			Altera Corp.	2,866,415	59,335
Warrants Exp. 6/16/11	60,569	1,178	* Akamai Technologies, Inc.	1,590,620	55,338
		11,870,942	Microchip Technology, Inc.	1,796,888	54,877
Information Technology (16.5%)			* Citrix Systems, Inc.	1,754,863	51,611
Microsoft Corp.	76,582,020	2,106,771	* Affiliated Computer		
International Business			Services, Inc. Class A	934,090	49,964
Machines Corp.	13,132,421	1,556,586	* Micron Technology, Inc.	7,219,818	43,319
* Apple Inc.	8,429,706	1,411,470	National		
* Cisco Systems, Inc.	56,480,830	1,313,744	Semiconductor Corp.	2,063,707	42,389
Intel Corp.	54,768,000	1,176,417	Total System Services, Inc.	1,892,485	42,051
* Google Inc.	2,222,364	1,169,897	* SanDisk Corp.	2,179,094	40,749
Hewlett-Packard Co.	23,564,000	1,041,764	* Teradata Corp.	1,709,171	39,550
* Oracle Corp.	37,927,304	796,473	* LSI Corp.	6,094,900	37,423
QUALCOMM Inc.	15,477,112	686,719	* ^Advanced Micro		
Dell Inc.	19,323,212	422,792	Devices, Inc.	5,769,663	33,637
Texas Instruments, Inc.	12,632,709	355,737	Molex, Inc.	1,333,689	32,555
Corning, Inc.	15,058,450	347,097	Jabil Circuit, Inc.	1,980,928	32,507
* EMC Corp.	19,765,735	290,359	* Lexmark International, Inc.	903,797	30,214
* eBay Inc.	10,569,284	288,859	* JDS Uniphase Corp.	2,139,267	24,302
* Yahoo! Inc.	13,155,070	271,784	* Compuware Corp.	2,501,777	23,867
Applied Materials, Inc.	12,960,078	247,408	* Novellus Systems, Inc.	970,043	20,555
Automatic Data			* Novell, Inc.	3,351,076	19,738
Processing, Inc.	4,956,800	207,690	* Ciena Corp.	826,376	19,147
* Adobe Systems, Inc.	5,067,309	199,601	* QLogic Corp.	1,294,257	18,883
Western Union Co.	7,075,225	174,900	* Convergys Corp.	1,236,657	18,377
Tyco Electronics Ltd.	4,570,587	163,718	* Teradyne, Inc.	1,659,864	18,375
Motorola, Inc.	21,466,602	157,565	* Tellabs, Inc.	3,799,913	17,670
* Symantec Corp.	8,064,639	156,051	* Unisys Corp.	3,349,571	13,231
* Electronic Arts Inc.	3,044,601	135,272	Molex, Inc. Class A	4,051	93
* MEMC Electronic					
Materials, Inc.	2,174,765	133,835			
* Agilent Technologies, Inc.	3,443,149	122,370	Materials (3.9%)		
Electronic Data			Monsanto Co.	5,240,619	662,624
Systems Corp.	4,807,771	118,463	Freeport-McMoRan		
* Broadcom Corp.	4,276,391	116,703	Copper & Gold, Inc.		
Xerox Corp.	8,596,898	116,574	Class B	3,664,211	429,409
* Juniper Networks, Inc.	4,988,570	110,646	E.I. du Pont de		
			Nemours & Co.	8,612,099	369,373
					17,543,062

	Shares	Market Value* (\$000)		Shares	Market Value* (\$000)
Dow Chemical Co.	8,896,153	310,565	Edison International	3,102,326	159,398
Praxair, Inc.	2,984,699	281,278	American Electric		
Alcoa Inc.	7,793,425	277,602	Power Co., Inc.	3,839,883	154,478
Newmont Mining Corp. (Holding Co.)	4,341,175	226,436	Constellation Energy		
Nucor Corp.	2,998,193	223,875	Group, Inc.	1,694,653	139,131
United States Steel Corp.	1,122,454	207,407	PG&E Corp.	3,415,974	135,580
Air Products & Chemicals, Inc.	2,014,237	199,127	Sempra Energy	2,393,585	135,118
Weyerhaeuser Co.	2,019,961	103,301	* AES Corp.	6,423,557	123,397
International Paper Co.	4,070,961	94,853	Questar Corp.	1,644,523	116,827
PPG Industries, Inc.	1,558,301	89,400	Progress Energy, Inc.	2,498,619	104,517
AK Steel Holding Corp.	1,043,387	71,994	Consolidated Edison Inc.	2,592,069	101,324
Ecolab, Inc.	1,669,508	71,772	Ameren Corp.	1,985,048	83,829
Sigma-Aldrich Corp.	1,230,047	66,250	Xcel Energy, Inc.	4,082,069	81,927
^Vulcan Materials Co.	1,046,504	62,560	Allegheny Energy, Inc.	1,590,469	79,698
Allegheny Technologies Inc.	960,897	56,962	DTE Energy Co.	1,554,097	65,956
Rohm & Haas Co.	1,193,062	55,406	CenterPoint Energy Inc.	3,113,710	49,975
Eastman Chemical Co.	728,848	50,188	Pepco Holdings, Inc.	1,910,834	49,013
Ball Corp.	952,063	45,451	NiSource, Inc.	2,609,153	46,756
MeadWestvaco Corp.	1,653,695	39,424	TECO Energy, Inc.	2,006,035	43,110
International Flavors & Fragrances, Inc.	771,127	30,120	* Dynegy, Inc.	4,707,214	40,247
Sealed Air Corp.	1,539,808	29,272	Integrus Energy Group, Inc.	727,361	36,972
* Pactiv Corp.	1,241,070	26,348	CMS Energy Corp.	2,142,994	31,931
Ashland, Inc.	532,817	25,682	Pinnacle West Capital Corp.	956,496	29,431
Bemis Co., Inc.	954,483	21,400	Nicor Inc.	429,799	18,305
Hercules, Inc.	1,097,315	18,578			
^Titanium Metals Corp.	940,326	13,155			
		4,159,812			4,243,657
Telecommunication Services (3.3%)			Total Common Stocks		
AT&T Inc.	56,804,661	1,913,749	(Cost \$72,485,557)		106,734,437
Verizon			Temporary Cash Investments (0.5%)¹		
Communications Inc.	27,256,108	964,866	Money Market Fund (0.5%)		
Sprint Nextel Corp.	27,259,806	258,968	² Vanguard Market		
* American Tower			Liquidity Fund,		
Corp. Class A	3,791,738	160,201	2.405%—Note E	405,153,114	405,153
Embarq Corp.	1,410,633	66,681	² Vanguard Market		
^Qwest Communications			Liquidity Fund, 2.405%	128,625,327	128,625
International Inc.	14,695,260	57,752			533,778
Windstream Corp.	4,318,461	53,290			
CenturyTel, Inc.	1,008,229	35,883			
Citizens					
Communications Co.	3,116,316	35,339			
		3,546,729			
Utilities (4.0%)					
Exelon Corp.	6,272,332	564,259			
Dominion Resources, Inc.	5,526,509	262,454			
Southern Co.	7,335,713	256,163			
FPL Group, Inc.	3,902,319	255,914			
FirstEnergy Corp.	2,902,225	238,940			
Public Service Enterprise					
Group, Inc.	4,841,394	222,365			
Entergy Corp.	1,831,061	220,606			
Duke Energy Corp.	12,091,579	210,152			
PPL Corp.	3,556,228	185,884			

	Face Amount (\$000)	Market Value* (\$000)
U.S. Agency Obligations (0.0%)		
³ Federal Home Loan Mortgage Corp. 1.740%, 8/29/08	10,000	9,963
³ Federal National Mortgage Assn. 2.037%, 8/18/08	25,000	24,925
		<u>34,888</u>
Total Temporary Cash Investments (Cost \$568,682)		568,666
Total Investments (100.5%) (Cost \$73,054,239)		107,303,103
Other Assets and Liabilities (-0.5%)		
Other Assets—Note B		313,445
Liabilities—Note E		(855,697)
		<u>(542,252)</u>
Net Assets (100%)		106,760,851

At June 30, 2008, net assets consisted of:⁵

	Amount (\$000)
Paid-in Capital	78,423,311
Overdistributed Net Investment Income	(161,726)
Accumulated Net Realized Losses	(5,748,690)
Unrealized Appreciation (Depreciation)	
Investment Securities	34,248,864
Futures Contracts	(908)
Net Assets	106,760,851

Investor Shares—Net Assets

Applicable to 465,481,922 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	54,848,972
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Net Asset Value Per Share—

Investor Shares	\$117.83
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Admiral Shares—Net Assets

Applicable to 276,751,801 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	32,610,775
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Net Asset Value Per Share—

Admiral Shares	\$117.83
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Signal Shares—Net Assets

Applicable to 198,298,336 outstanding \$.001 par value shares of beneficial interest (unlimited authorization)	19,301,104
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Net Asset Value Per Share—

Signal Shares	\$97.33
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• See Note A in *Notes to Financial Statements*.

* Non-income-producing security.

^ Part of security position is on loan to broker-dealers. See Note E in *Notes to Financial Statements*.

1 The fund invests a portion of its cash reserves in equity markets through the use of index futures contracts. After giving effect to futures investments, the fund's effective common stock and temporary cash investment positions represent 100.0% and 0.5%, respectively, of net assets. See Note C in *Notes to Financial Statements*.

2 Affiliated money market fund available only to Vanguard funds and certain trusts and accounts managed by Vanguard. Rate shown is the 7-day yield.

3 The issuer operates under a congressional charter; its securities are neither issued nor guaranteed by the U.S. government.

4 Securities with a value of \$34,888,000 have been segregated as initial margin for open futures contracts.

5 See Note C in *Notes to Financial Statements* for the tax-basis components of net assets.

REIT—Real Estate Investment Trust.

Statement of Operations

Six Months Ended
June 30, 2008

(\$'000)

Investment Income

Income

Dividends	1,130,759
Interest ¹	6,497
Security Lending	8,880
Total Income	1,146,136

Expenses

The Vanguard Group—Note B

Investment Advisory Services	1,178
Management and Administrative—Investor Shares	35,525
Management and Administrative—Admiral Shares	7,595
Management and Administrative—Signal Shares	5,061
Marketing and Distribution—Investor Shares	6,606
Marketing and Distribution—Admiral Shares	3,773
Marketing and Distribution—Signal Shares	1,670
Custodian Fees	136
Shareholders' Reports—Investor Shares	488
Shareholders' Reports—Admiral Shares	25
Shareholders' Reports—Signal Shares	51
Trustees' Fees and Expenses	88
Total Expenses	62,196
Net Investment Income	1,083,940

Realized Net Gain (Loss)

Investment Securities Sold	(55,545)
Futures Contracts	(17,377)
Realized Net Gain (Loss)	(72,922)

Change in Unrealized Appreciation (Depreciation)

Investment Securities	(15,543,397)
Futures Contracts	(780)

Change in Unrealized Appreciation (Depreciation) (15,544,177)

Net Increase (Decrease) in Net Assets Resulting from Operations (14,533,159)

¹ Interest income from an affiliated company of the fund was \$5,993,000.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2008	Year Ended December 31, 2007
	(\$000)	(\$000)
Increase (Decrease) in Net Assets		
Operations		
Net Investment Income	1,083,940	2,288,863
Realized Net Gain (Loss)	(72,922)	1,378,958
Change in Unrealized Appreciation (Depreciation)	(15,544,177)	2,871,929
Net Increase (Decrease) in Net Assets Resulting from Operations	(14,533,159)	6,539,750
Distributions		
Net Investment Income		
Investor Shares	(542,411)	(1,246,791)
Admiral Shares	(335,315)	(874,969)
Signal Shares	(197,348)	(181,450)
Realized Capital Gain		
Investor Shares	—	—
Admiral Shares	—	—
Signal Shares	—	—
Total Distributions	(1,075,074)	(2,303,210)
Capital Share Transactions—Note F		
Investor Shares	(413,309)	(11,330,836)
Admiral Shares	261,769	(11,692,119)
Signal Shares	647,730	21,467,078
Net Increase (Decrease) from Capital Share Transactions	496,190	(1,555,877)
Total Increase (Decrease)	(15,112,043)	2,680,663
Net Assets		
Beginning of Period	121,872,894	119,192,231
End of Period ¹	106,760,851	121,872,894

¹ Net Assets—End of Period includes undistributed (overdistributed) net investment income of (\$161,726,000) and (\$170,592,000).

Financial Highlights

Investor Shares

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2008	Year Ended December 31,				
	2007	2006	2005	2004	2003	
Net Asset Value, Beginning of Period	\$135.15	\$130.59	\$114.92	\$111.64	\$102.67	\$81.15
Investment Operations						
Net Investment Income	1.18	2.47	2.11	1.95	1.95 ¹	1.44
Net Realized and Unrealized Gain (Loss) on Investments	(17.33)	4.58	15.70	3.31	8.97	21.51
Total from Investment Operations	(16.15)	7.05	17.81	5.26	10.92	22.95
Distributions						
Dividends from Net Investment Income	(1.17)	(2.49)	(2.14)	(1.98)	(1.95)	(1.43)
Distributions from Realized Capital Gains	—	—	—	—	—	—
Total Distributions	(1.17)	(2.49)	(2.14)	(1.98)	(1.95)	(1.43)
Net Asset Value, End of Period	\$117.83	\$135.15	\$130.59	\$114.92	\$111.64	\$102.67
Total Return²	-11.96%	5.39%	15.64%	4.77%	10.74%	28.50%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$54,849	\$63,327	\$72,013	\$69,375	\$84,167	\$75,342
Ratio of Total Expenses to Average Net Assets	0.15%*	0.15%	0.18%	0.18%	0.18%	0.18%
Ratio of Net Investment Income to Average Net Assets	1.89%*	1.81%	1.74%	1.75%	1.86% ¹	1.61%
Portfolio Turnover Rate ³	3%*	5%	5%	6%	3%	1%

¹ Net investment income per share and the ratio of net investment income to average net assets include \$0.32 and 0.31%, respectively, resulting from a special dividend from Microsoft Corp. in November 2004.

² Total returns do not include the account service fee that may be applicable to certain accounts with balances below \$10,000.

³ Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares.

* Annualized.

Admiral Shares

For a Share Outstanding Throughout Each Period	Six Months Ended June 30, 2008	Year Ended December 31,				
		2007	2006	2005	2004	2003
Net Asset Value, Beginning of Period	\$135.15	\$130.59	\$114.92	\$111.64	\$102.68	\$81.15
Investment Operations						
Net Investment Income	1.231	2.583	2.222	2.052	2.03 ¹	1.507
Net Realized and Unrealized Gain (Loss) on Investments	(17.330)	4.576	15.700	3.310	8.97	21.510
Total from Investment Operations	(16.099)	7.159	17.922	5.362	11.00	23.017
Distributions						
Dividends from Net Investment Income	(1.221)	(2.599)	(2.252)	(2.082)	(2.04)	(1.487)
Distributions from Realized Capital Gains	—	—	—	—	—	—
Total Distributions	(1.221)	(2.599)	(2.252)	(2.082)	(2.04)	(1.487)
Net Asset Value, End of Period	\$117.83	\$135.15	\$130.59	\$114.92	\$111.64	\$102.68
Total Return	-11.93%	5.47%	15.75%	4.87%	10.82%	28.59%
Ratios/Supplemental Data						
Net Assets, End of Period (Millions)	\$32,611	\$37,113	\$46,467	\$38,028	\$22,412	\$18,098
Ratio of Total Expenses to Average Net Assets	0.07%*	0.07%	0.09%	0.09%	0.09%	0.12%
Ratio of Net Investment Income to Average Net Assets	1.97%*	1.89%	1.83%	1.84%	1.96% ¹	1.67%
Portfolio Turnover Rate ²	3%*	5%	5%	6%	3%	1%

¹ Net investment income per share and the ratio of net investment income to average net assets include \$0.32 and 0.31%, respectively, resulting from a special dividend from Microsoft Corp. in November 2004.

² Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares.

* Annualized.

Signal Shares

	Six Months Ended June 30, 2008	Year Ended Dec. 31, 2007	Sept. 29, 2006 ¹ to Dec. 31, 2006
For a Share Outstanding Throughout Each Period			
Net Asset Value, Beginning of Period	\$111.64	\$107.86	\$101.61
Investment Operations			
Net Investment Income	1.017	2.119	.502
Net Realized and Unrealized Gain (Loss) on Investments	(14.319)	3.794	6.287
Total from Investment Operations	(13.302)	5.913	6.789
Distributions			
Dividends from Net Investment Income	(1.008)	(2.133)	(.539)
Distributions from Realized Capital Gains	—	—	—
Total Distributions	(1.008)	(2.133)	(.539)
Net Asset Value, End of Period	\$97.33	\$111.64	\$107.86
Total Return	-11.93%	5.47%	6.68%
Ratios/Supplemental Data			
Net Assets, End of Period (Millions)	\$19,301	\$21,433	\$713
Ratio of Total Expenses to Average Net Assets	0.07%*	0.07%	0.09%*
Ratio of Net Investment Income to Average Net Assets	1.97%*	1.89%	1.83%*
Portfolio Turnover Rate ²	3%*	5%	5%

¹ Inception.

² Excludes the value of portfolio securities received or delivered as a result of in-kind purchases or redemptions of the fund's capital shares.

* Annualized.

See accompanying *Notes*, which are an integral part of the *Financial Statements*.

Notes to Financial Statements

Vanguard 500 Index Fund is registered under the Investment Company Act of 1940 as an open-end investment company, or mutual fund. The fund offers three classes of shares: Investor Shares, Admiral Shares, and Signal Shares. Investor Shares are available to any investor who meets the fund's minimum purchase requirements. Admiral Shares are designed for investors who meet certain administrative, service, tenure, and account-size criteria. Signal Shares are designed for institutional investors who meet certain administrative, service, and account-size criteria.

A. The following significant accounting policies conform to generally accepted accounting principles for U.S. mutual funds. The fund consistently follows such policies in preparing its financial statements.

1. **Security Valuation:** Securities are valued as of the close of trading on the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date. Equity securities are valued at the latest quoted sales prices or official closing prices taken from the primary market in which each security trades; such securities not traded on the valuation date are valued at the mean of the latest quoted bid and asked prices. Securities for which market quotations are not readily available, or whose values have been materially affected by events occurring before the fund's pricing time but after the close of the securities' primary markets, are valued by methods deemed by the board of trustees to represent fair value. Investments in Vanguard Market Liquidity Fund are valued at that fund's net asset value. Temporary cash investments acquired over 60 days to maturity are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Other temporary cash investments are valued at amortized cost, which approximates market value.

2. **Futures Contracts:** The fund uses index futures contracts to a limited extent, with the objectives of maintaining full exposure to the stock market, enhancing returns, maintaining liquidity, and minimizing transaction costs. The fund may purchase futures contracts to immediately invest incoming cash in the market, or sell futures in response to cash outflows, thereby simulating a fully invested position in the underlying index while maintaining a cash balance for liquidity. The fund may seek to enhance returns by using futures contracts instead of the underlying securities when futures are believed to be priced more attractively than the underlying securities. The primary risks associated with the use of futures contracts are imperfect correlation between changes in market values of stocks held by the fund and the prices of futures contracts, and the possibility of an illiquid market.

Futures contracts are valued at their quoted daily settlement prices. The aggregate principal amounts of the contracts are not recorded in the *Statement of Net Assets*. Fluctuations in the value of the contracts are recorded in the *Statement of Net Assets* as an asset (liability) and in the *Statement of Operations* as unrealized appreciation (depreciation) until the contracts are closed, when they are recorded as realized futures gains (losses).

3. **Federal Income Taxes:** The fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. Management has analyzed the fund's tax positions taken on federal income tax returns for all open tax years (tax years ended December 31, 2004–2007) and for the period ended June 30, 2008, and has concluded that no provision for federal income tax is required in the fund's financial statements.

4. **Distributions:** Distributions to shareholders are recorded on the ex-dividend date.

5. **Security Lending:** The fund may lend its securities to qualified institutional borrowers to earn additional income. Security loans are required to be secured at all times by collateral at least equal to the market value of securities loaned. The fund invests cash collateral received in Vanguard Market

Liquidity Fund, and records a liability for the return of the collateral, during the period the securities are on loan. Security lending income represents the income earned on investing cash collateral, less expenses associated with the loan.

6. Other: Dividend income is recorded on the ex-dividend date. Interest income includes income distributions received from Vanguard Market Liquidity Fund and is accrued daily. Security transactions are accounted for on the date securities are bought or sold. Costs used to determine realized gains (losses) on the sale of investment securities are those of the specific securities sold.

Each class of shares has equal rights as to assets and earnings, except that each class separately bears certain class-specific expenses related to maintenance of shareholder accounts (included in Management and Administrative expenses) and shareholder reporting. Marketing and distribution expenses are allocated to each class of shares based on a method approved by the board of trustees. Income, other non-class-specific expenses, and gains and losses on investments are allocated to each class of shares based on its relative net assets.

B. The Vanguard Group furnishes at cost investment advisory, corporate management, administrative, marketing, and distribution services. The costs of such services are allocated to the fund under methods approved by the board of trustees. The fund has committed to provide up to 0.40% of its net assets in capital contributions to Vanguard. At June 30, 2008, the fund had contributed capital of \$9,537,000 to Vanguard (included in Other Assets), representing 0.01% of the fund's net assets and 9.53% of Vanguard's capitalization. The fund's trustees and officers are also directors and officers of Vanguard.

C. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain, or loss are recognized in different periods for financial statement and tax purposes; these differences will reverse at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

During the six months ended June 30, 2008, the fund realized \$26,245,000 of net capital gains resulting from in-kind redemptions—in which shareholders exchange fund shares for securities held by the fund rather than for cash. Because such gains are not taxable to the fund, and are not distributed to shareholders, they have been reclassified from accumulated net realized losses to paid-in capital.

The fund's tax-basis capital gains and losses are determined only at the end of each fiscal year. For tax purposes, at December 31, 2007, the fund had available realized losses of \$5,623,003,000 to offset future net capital gains of \$430,361,000 through December 31, 2009, \$3,087,963,000 through December 31, 2010, \$145,498,000 through December 31, 2011, \$44,874,000 through December 31, 2012, \$757,853,000 through December 31, 2013, and \$1,156,454,000 through December 31, 2014. The fund will use these capital losses to offset net taxable capital gains, if any, realized during the year ending December 31, 2008; should the fund realize net capital losses for the year, the losses will be added to the loss carryforward balances above.

At June 30, 2008, the cost of investment securities for tax purposes was \$73,054,239,000. Net unrealized appreciation of investment securities for tax purposes was \$34,248,864,000, consisting of unrealized gains of \$44,241,874,000 on securities that had risen in value since their purchase and \$9,993,010,000 in unrealized losses on securities that had fallen in value since their purchase.

At June 30, 2008, the aggregate settlement value of open futures contracts expiring in September 2008 and the related unrealized appreciation (depreciation) were:

Futures Contracts	Number of Long Contracts	(\$000)	
		Aggregate Settlement Value	Unrealized Appreciation (Depreciation)
S&P 500 Index	47	15,053	(908)

Unrealized appreciation (depreciation) on open futures contracts is required to be treated as realized gain (loss) for tax purposes.

D. During the six months ended June 30, 2008, the fund purchased \$2,435,254,000 of investment securities and sold \$1,893,892,000 of investment securities other than temporary cash investments.

E. The market value of securities on loan to broker-dealers at June 30, 2008, was \$368,959,000, for which the fund received cash collateral of \$405,153,000.

F. Capital share transactions for each class of shares were:

	Six Months Ended June 30, 2008		Year Ended December 31, 2007	
	Amount (\$000)	Shares (000)	Amount (\$000)	Shares (000)
Investor Shares				
Issued	4,402,464	35,078	8,861,924	65,448
Issued in Lieu of Cash Distributions	525,479	4,376	1,205,688	8,811
Redeemed	(5,341,252)	(42,555)	(21,398,448)	(157,123)
Net Increase (Decrease)—Investor Shares	(413,309)	(3,101)	(11,330,836)	(82,864)
Admiral Shares				
Issued	1,836,114	14,617	7,899,760	58,273
Issued in Lieu of Cash Distributions	295,381	2,460	772,424	5,640
Redeemed	(1,869,726)	(14,928)	(20,364,303)	(145,129)
Net Increase (Decrease)—Admiral Shares	261,769	2,149	(11,692,119)	(81,216)
Signal Shares				
Issued	2,712,607	26,157	22,704,623	196,291
Issued in Lieu of Cash Distributions	182,099	1,836	169,722	1,495
Redeemed	(2,246,976)	(21,682)	(1,407,267)	(12,407)
Net Increase (Decrease)—Signal Shares	647,730	6,311	21,467,078	185,379

G. In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 ("FAS 157"), "Fair Value Measurements." FAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements in financial statements, effective for the fund's current fiscal period.

The various inputs that may be used to determine the value of the fund's investments are summarized in three broad levels. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments).

The following table summarizes the fund's investments as of June 30, 2008, based on the inputs used to value them:

Valuation Inputs	Investments in Securities (\$000)	Futures Contracts (\$000)
Level 1—Quoted prices	107,268,215	(908)
Level 2—Other significant observable inputs	34,888	—
Level 3—Significant unobservable inputs	—	—
Total	107,303,103	(908)

About Your Fund's Expenses

As a shareholder of the fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The table below illustrates your fund's costs in two ways:

- **Based on actual fund return.** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return, and the third column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your fund under the heading "Expenses Paid During Period."

- **Based on hypothetical 5% yearly return.** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had a yearly return of 5% before expenses, but that the expense ratio is unchanged. In this case—because the return used is not the fund's actual return—the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Six Months Ended June 30, 2008

	Beginning Account Value 12/31/2007	Ending Account Value 6/30/2008	Expenses Paid During Period ¹
500 Index Fund			
Based on Actual Fund Return			
Investor Shares	\$1,000.00	\$880.36	\$0.70
Admiral Shares	1,000.00	880.73	0.33
Signal Shares	1,000.00	880.70	0.33
Based on Hypothetical 5% Yearly Return			
Investor Shares	\$1,000.00	\$1,024.12	\$0.75
Admiral Shares	1,000.00	1,024.52	0.35
Signal Shares	1,000.00	1,024.52	0.35

¹ The calculations are based on expenses incurred in the most recent six-month period. The fund's annualized six-month expense ratios for that period are 0.15% for Investor Shares, 0.07% for Admiral Shares, and 0.07% for Signal Shares. The dollar amounts shown as "Expenses Paid" are equal to the annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent six-month period, then divided by the number of days in the most recent 12-month period.

Note that the expenses shown in the table on page 24 are meant to highlight and help you compare *ongoing* costs only and do not reflect transaction costs incurred by the fund for buying and selling securities. Further, the expenses do not include the account service fee described in the prospectus. If such a fee were applied to your account, your costs would be higher. Your fund does not charge transaction fees, such as purchase or redemption fees, nor does it carry a “sales load.”

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

You can find more information about the fund’s expenses, including annual expense ratios, in the *Financial Statements* section of this report. For additional information on operating expenses and other shareholder costs, please refer to your fund’s current prospectus.

Trustees Approve Advisory Arrangement

The board of trustees of Vanguard 500 Index Fund has renewed the fund's investment advisory arrangement with The Vanguard Group, Inc. Vanguard—through its Quantitative Equity Group—serves as the investment advisor for the fund. The board determined that continuing the fund's internalized management structure was in the best interests of the fund and its shareholders.

The board based its decision upon an evaluation of the advisor's investment staff, portfolio management process, and performance. The trustees considered the factors discussed below, among others. However, no single factor determined whether the board approved the arrangement. Rather, it was the totality of the circumstances that drove the board's decision.

Nature, extent, and quality of services

The board considered the quality of the fund's investment management over both short- and long-term periods, and took into account the organizational depth and stability of the advisor. The board noted that Vanguard has been managing investments for more than two decades. George U. Sauter, Vanguard managing director and chief investment officer, has been in the investment management business since 1985. Mr. Sauter has led the Quantitative Equity Group since 1987. The Quantitative Equity Group adheres to a sound, disciplined investment management process; the team has considerable experience, stability, and depth.

The board concluded that Vanguard's experience, stability, depth, and performance, among other factors, warranted continuation of the advisory arrangement.

Investment performance

The board considered the short- and long-term performance of the fund, including any periods of outperformance or underperformance of its target benchmark and peer group. The board concluded that the fund has performed in line with expectations, and that its results have been consistent with its investment strategies. Information about the fund's most recent performance can be found in the *Performance Summary* section of this report.

Cost

The board concluded that the fund's expense ratio was far below the average expense ratio charged by funds in its peer group. The board noted that the fund's advisory expense ratio was also well below its peer-group average. Information about the fund's expense ratio appears in the *About Your Fund's Expenses* section of this report as well as in the *Financial Statements* section.

The board does not conduct a profitability analysis of Vanguard because of Vanguard's unique "at-cost" structure. Unlike most other mutual fund management companies, Vanguard is owned by the funds it oversees and produces "profits" only in the form of reduced expenses for fund shareholders.

The benefit of economies of scale

The board concluded that the fund's low-cost arrangement with Vanguard ensures that the fund will realize economies of scale as it grows, with the cost to shareholders declining as fund assets increase.

The board will consider whether to renew the advisory arrangement again after a one-year period.

Glossary

Beta. A measure of the magnitude of a fund's past share-price fluctuations in relation to the ups and downs of a given market index. The index is assigned a beta of 1.00. Compared with a given index, a fund with a beta of 1.20 typically would have seen its share price rise or fall by 12% when the index rose or fell by 10%. For this report, beta is based on returns over the past 36 months for both the fund and the index. Note that a fund's beta should be reviewed in conjunction with its R-squared (see definition below). The lower the R-squared, the less correlation there is between the fund and the index, and the less reliable beta is as an indicator of volatility.

Earnings Growth Rate. The average annual rate of growth in earnings over the past five years for the stocks now in a fund.

Equity Exposure. A measure that reflects a fund's investments in stocks and stock futures. Any holdings in short-term reserves are excluded.

Expense Ratio. The percentage of a fund's average net assets used to pay its annual administrative and advisory expenses. These expenses directly reduce returns to investors.

Foreign Holdings. The percentage of a fund represented by stocks or depositary receipts of companies based outside the United States.

Inception Date. The date on which the assets of a fund (or one of its share classes) are first invested in accordance with the fund's investment objective. For funds with a subscription period, the inception date is the day after that period ends. Investment performance is measured from the inception date.

Median Market Cap. An indicator of the size of companies in which a fund invests; the midpoint of market capitalization (market price x shares outstanding) of a fund's stocks, weighted by the proportion of the fund's assets invested in each stock. Stocks representing half of the fund's assets have market capitalizations above the median, and the rest are below it.

Price/Book Ratio. The share price of a stock divided by its net worth, or book value, per share. For a fund, the weighted average price/book ratio of the stocks it holds.

Price/Earnings Ratio. The ratio of a stock's current price to its per-share earnings over the past year. For a fund, the weighted average P/E of the stocks it holds. P/E is an indicator of market expectations about corporate prospects; the higher the P/E, the greater the expectations for a company's future growth.

R-Squared. A measure of how much of a fund's past returns can be explained by the returns from the market in general, as measured by a given index. If a fund's total returns were precisely synchronized with an index's returns, its R-squared would be 1.00. If the fund's returns bore no relationship to the index's returns, its R-squared would be 0. For this report, R-squared is based on returns over the past 36 months for both the fund and the index.

Return on Equity. The annual average rate of return generated by a company during the past five years for each dollar of shareholder's equity (net income divided by shareholder's equity). For a fund, the weighted average return on equity for the companies whose stocks it holds.

Short-Term Reserves. The percentage of a fund invested in highly liquid, short-term securities that can be readily converted to cash.

Turnover Rate. An indication of the fund's trading activity. Funds with high turnover rates incur higher transaction costs and may be more likely to distribute capital gains (which may be taxable to investors). The turnover rate excludes in-kind transactions, which have minimal impact on costs.

Yield. A fund's 30-day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. Under the formula, data related to the fund's security holdings in the previous 30 days are used to calculate the fund's hypothetical net income for that period, which is then annualized and divided by the fund's estimated average net assets over the calculation period. For the purposes of this calculation, a security's income is based on its current market yield to maturity (in the case of bonds) or its projected dividend yield (for stocks). Because the SEC yield represents hypothetical annualized income, it will differ—at times significantly—from the fund's actual experience. As a result, the fund's income distributions may be higher or lower than implied by the SEC yield.

The People Who Govern Your Fund

The trustees of your mutual fund are there to see that the fund is operated and managed in your best interests since, as a shareholder, you are a part owner of the fund. Your fund's trustees also serve on the board of directors of The Vanguard Group, Inc., which is owned by the Vanguard funds and provides services to them on an at-cost basis.

A majority of Vanguard's board members are independent, meaning that they have no affiliation with Vanguard or the funds they oversee, apart from the sizable personal investments they have made as private individuals.

Our independent board members bring distinguished backgrounds in business, academia, and public service to their task of working with Vanguard officers to establish the policies and oversee the activities of the funds. Among board members' responsibilities are selecting investment advisors for the funds; monitoring fund operations, performance, and costs; reviewing contracts; nominating and selecting new trustees/directors; and electing Vanguard officers.

Each trustee serves a fund until its termination; or until the trustee's retirement, resignation, or death; or otherwise as specified in the fund's organizational documents. Any trustee may be removed at a shareholders' meeting by a vote representing two-thirds of the net asset value of all shares of the fund together with shares of other Vanguard funds organized within the same trust. The table on these two pages shows information for each trustee and executive officer of the fund. The mailing address of the trustees and officers is P.O. Box 876, Valley Forge, PA 19482.

Chairman of the Board, Chief Executive Officer, and Trustee

John J. Brennan¹

Born 1954
Trustee Since May 1987;
Chairman of the Board and
Chief Executive Officer
156 Vanguard Funds Overseen

Principal Occupation(s) During the Past Five Years: Chairman of the Board, Chief Executive Officer, and Director/Trustee of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group; Director of Vanguard Marketing Corporation.

Independent Trustees

Charles D. Ellis

Born 1937
Trustee Since January 2001
156 Vanguard Funds Overseen

Principal Occupation(s) During the Past Five Years: Applecore Partners (pro bono ventures in education); Senior Advisor to Greenwich Associates (international business strategy consulting); Successor Trustee of Yale University; Overseer of the Stern School of Business at New York University; Trustee of the Whitehead Institute for Biomedical Research.

Emerson U. Fullwood

Born 1948
Trustee Since January 2008
156 Vanguard Funds Overseen

Principal Occupation(s) During the Past Five Years: Executive Chief Staff and Marketing Officer for North America since 2004 and Corporate Vice President of Xerox Corporation (photocopiers and printers); Director of SPX Corporation (multi-industry manufacturing), of the United Way of Rochester, and of the Boy Scouts of America.

Rajiv L. Gupta

Born 1945
Trustee Since December 2001²
156 Vanguard Funds Overseen

Principal Occupation(s) During the Past Five Years: Chairman, President, and Chief Executive Officer of Rohm and Haas Co. (chemicals); Board Member of the American Chemistry Council; Director of Tyco International, Ltd. (diversified manufacturing and services) since 2005.

Amy Gutmann

Born 1949
Trustee Since June 2006
156 Vanguard Funds Overseen

Principal Occupation(s) During the Past Five Years: President of the University of Pennsylvania since 2004; Professor in the School of Arts and Sciences, Annenberg School for Communication, and Graduate School of Education of the University of Pennsylvania since 2004; Provost (2001–2004) and Laurance S. Rockefeller Professor of Politics and the University Center for Human Values (1990–2004), Princeton University; Director of Carnegie Corporation of New York since 2005 and of Schuylkill River Development Corporation and Greater Philadelphia Chamber of Commerce since 2004; Trustee of the National Constitution Center since 2007.

JoAnn Heffernan Heisen

Born 1950 Trustee Since July 1998 156 Vanguard Funds Overseen	Principal Occupation(s) During the Past Five Years: Corporate Vice President and Chief Global Diversity Officer since 2006, Vice President and Chief Information Officer (1997–2005), and Member of the Executive Committee of Johnson & Johnson (pharmaceuticals/consumer products); Director of the University Medical Center at Princeton and Women's Research and Education Institute.
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André F. Perold

Born 1952 Trustee Since December 2004 156 Vanguard Funds Overseen	Principal Occupation(s) During the Past Five Years: George Gund Professor of Finance and Banking, Harvard Business School; Senior Associate Dean and Director of Faculty Recruiting, Harvard Business School; Director and Chairman of UNX, Inc. (equities trading firm); Chair of the Investment Committee of HighVista Strategies LLC (private investment firm) since 2005.
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Alfred M. Rankin, Jr.

Born 1941 Trustee Since January 1993 156 Vanguard Funds Overseen	Principal Occupation(s) During the Past Five Years: Chairman, President, Chief Executive Officer, and Director of NACCO Industries, Inc. (forklift trucks/housewares/lignite); Director of Goodrich Corporation (industrial products/aircraft systems and services).
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J. Lawrence Wilson

Born 1936 Trustee Since April 1985 156 Vanguard Funds Overseen	Principal Occupation(s) During the Past Five Years: Retired Chairman and Chief Executive Officer of Rohm and Haas Co. (chemicals); Director of Cummins Inc. (diesel engines) and AmerisourceBergen Corp. (pharmaceutical distribution); Trustee of Vanderbilt University and of Culver Educational Foundation.
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Executive Officers¹

Thomas J. Higgins

Born 1957 Treasurer Since July 1998 156 Vanguard Funds Overseen	Principal Occupation(s) During the Past Five Years: Principal of The Vanguard Group, Inc.; Treasurer of each of the investment companies served by The Vanguard Group.
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F. William McNabb III

Born 1957 President Since March 2008 156 Vanguard Funds Overseen	Principal Occupation(s) During the Past Five Years: President of The Vanguard Group, Inc., and of each of the investment companies served by The Vanguard Group since 2008; Director of Vanguard Marketing Corporation; Managing Director of The Vanguard Group (1995–2008).
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Heidi Stam

Born 1956 Secretary Since July 2005 156 Vanguard Funds Overseen	Principal Occupation(s) During the Past Five Years: Managing Director of The Vanguard Group, Inc., since 2006; General Counsel of The Vanguard Group since 2005; Secretary of The Vanguard Group, and of each of the investment companies served by The Vanguard Group, since 2005; Director and Senior Vice President of Vanguard Marketing Corporation since 2005; Principal of The Vanguard Group (1997–2006).
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Vanguard Senior Management Team

R. Gregory Barton Mortimer J. Buckley	Kathleen C. Gubanich Paul A. Heller	Michael S. Miller Ralph K. Packard	Glenn W. Reed George U. Sauter
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Founder

John C. Bogle

Chairman and Chief Executive Officer, 1974–1996

¹ Officers of the funds are "interested persons" as defined in the Investment Company Act of 1940.

² December 2002 for Vanguard Equity Income Fund, Vanguard Growth Equity Fund, the Vanguard Municipal Bond Funds, and the Vanguard State Tax-Exempt Funds.

More information about the trustees is in the *Statement of Additional Information*, available from The Vanguard Group.



Vanguard®

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Valley Forge, PA 19482-2600

Connect with Vanguard® > www.vanguard.com

Fund Information > 800-662-7447

Direct Investor Account Services > 800-662-2739

Institutional Investor Services > 800-523-1036

Text Telephone for People

With Hearing Impairment > 800-952-3335

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All comparative mutual fund data are from Lipper Inc. or Morningstar, Inc., unless otherwise noted.

You can obtain a free copy of Vanguard's proxy voting guidelines by visiting our website, www.vanguard.com, and searching for "proxy voting guidelines," or by calling Vanguard at 800-662-2739. The guidelines are also available from the SEC's website, www.sec.gov. In addition, you may obtain a free report on how your fund voted the proxies for securities it owned during the 12 months ended June 30. To get the report, visit either www.vanguard.com or www.sec.gov.

You can review and copy information about your fund at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 202-551-8090. Information about your fund is also available on the SEC's website, and you can receive copies of this information, for a fee, by sending a request in either of two ways: via e-mail addressed to publicinfo@sec.gov or via regular mail addressed to the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-0102.

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