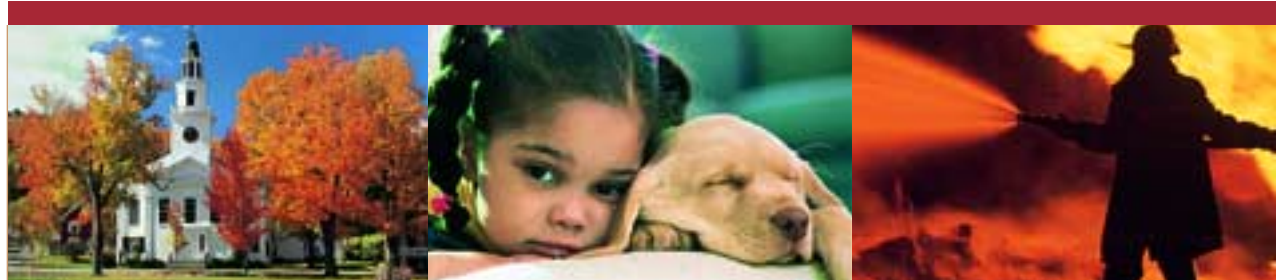


**Vanguard® Asset Management  
And Trust Services—  
For Endowments and Foundations**

Make the most of your organization's investments,  
with a partner you can trust



THE **Vanguard** GROUP.



*“We firmly believe that if we maintain our disciplined focus on a single goal—namely, serving our fund shareholders well—then success will surely follow. Time has reinforced that belief, and Vanguard’s long-term success is a direct result of our commitment to high-quality, low-cost service.”*

*—John J. Brennan  
Chairman and Chief Executive Officer  
The Vanguard Group*

# Why Vanguard stands apart

The Vanguard Group has never been a typical mutual fund company. Because of that we can offer endowments and foundations a unique combination of benefits.

- **Industry leadership.**

With some \$500 billion in assets invested in more than 14 million shareholder accounts, we are the largest pure no-load mutual fund company and one of the world's most respected financial service organizations.

- **Diverse investment choices.**

We offer more than 100 actively managed and index funds—one of the most diverse fund selections in the industry.

- **World-class expertise.**

Our investment management team includes some of the most experienced and proven asset managers in the industry.

- **Fiduciary responsibility.**

Unlike other fund companies, Vanguard is owned entirely by its member funds—each of which is owned by its shareholders. With no obligation to generate profits for outside owners, we can put our clients first in everything we do.

- **Stability.**

Our corporate structure makes Vanguard immune to the kind of ownership changes common in the business world.

- **Commitment to low costs.**

Vanguard is widely recognized for its leadership in keeping operating costs at the lowest reasonable levels.

Your organization can benefit from the unparalleled strengths The Vanguard Group offers. Our goal is to take responsibility for the management of your investments so that you can focus on your most important task—carrying out the mission of your organization.



Vanguard's goal is to help you meet your fiduciary responsibility by making sure your organization's portfolio consists of funds that are managed by some of the world's best advisers, stay true to their investment objectives, and operate at the lowest reasonable cost.

## Proven investment expertise

Vanguard is widely known for pioneering index investing. But there is much more to our story.

Vanguard is also an experienced manager of managers—overseeing investments in more than 100 stock, bond, balanced, and money market funds. We provide convenient, one-stop access to leading investment managers both at Vanguard and at firms we hire from around the world, all of whom operate under an investment philosophy that emphasizes disciplined fund management. This blend of internal and external investment managers provides your organization with a combination of expertise and diversity of thought that is virtually unmatched in the investment community.

### Leadership in indexing

Vanguard introduced index mutual funds for individuals in 1976. We remain the leader in the field, providing the broadest selection of stock, bond, and balanced index funds. We offer more than 20 index funds that span the entire stock or bond market, target segments of each market, and combine stocks and

bonds. Managed internally by indexing experts, Vanguard's index funds offer competitive-to-superior returns: Over the past five years, for example, almost every Vanguard index fund has outperformed its peer group. Significantly contributing to their performance are some of the lowest expense ratios in the industry.

### Access to some of the world's best advisers

About 60% of Vanguard's stock, fixed-income, and balanced fund assets are actively managed. Most of these funds are run by external advisers who are highly respected in their industry and were selected only after a rigorous review process. Because they are from companies from around the world, these advisers bring independent thought to the Vanguard family of funds. In contrast, fund families that rely on an internal staff of advisers may share a common analytical approach.

The funds managed for Vanguard by these talented and seasoned managers have typically outperformed their peer-group averages over the long



All mutual fund industry investment and expense data are provided by Lipper Inc. Manager tenure data are provided by Morningstar, Inc. All data relating to performance, assets, and manager tenure are as of September 30, 1999. Expense ratios correspond to the funds' latest fiscal years.

term. Over the past decade, 15 of 21 externally managed active Vanguard stock, bond, and balanced funds have outperformed their peer groups. In addition, our external managers have been with us for an average tenure of 7.9 years, nearly twice as long as the industry average of 3.5 years—ensuring a continuity of investment approach not easily found elsewhere.

Our external advisers include such companies as:

- Barrow, Hanley, Mewhinney & Strauss, Inc. (Dallas)
- Lincoln Capital Management Company (Chicago)
- Mellon Capital Management Corporation (San Francisco)
- Phillips & Drew (London)
- PRIMECAP Management Company (Pasadena)
- Sanford C. Bernstein & Company (New York)
- Schroder Investment Management North America Inc. (London)
- Wellington Management Company, LLP (Boston)

### A major manager of fixed-income funds

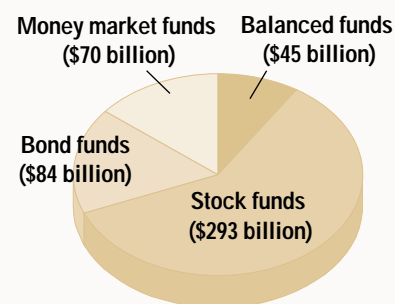
Vanguard is the nation's largest manager of bond mutual funds and one of the largest managers of money market funds. Our fixed-income funds seek to outperform their competitors over the long run, and each one has, almost without exception. Our superior long-term performance compared with other bond and money market funds can be attributed largely to our low-cost operating structure. Because of the cost advantage it provides, Vanguard's fixed-income managers aren't tempted to take risky, alternative strategies to boost yields.

### Disciplined fund management

Whether managed internally or externally, assets at Vanguard are invested exactly as promised. You can count on our funds to stay true to their stated objectives year after year, whatever the market conditions, and to remain immune to the fads that come and go in the investment business. We make sure that fund managers don't take extra risks in a drive for performance.

Vanguard maintains a tight rein by clearly specifying investment mandates at the outset, hiring advisers whose style and expertise support those mandates, and then closely monitoring fund management and performance.

### Vanguard Fund Asset Mix (as of September 30, 1999)



About 60% of Vanguard's fund assets are actively managed, mostly by external managers, and 40% are indexed.

Our asset management services for endowments and foundations are designed to manage your investments to meet spending needs over the long term—while keeping in mind your sensitivity to risk.

## Our time-tested approach to investing your assets

Just as Vanguard's funds are managed under a disciplined system, Vanguard's asset management services are based on a disciplined set of time-tested investment principles. We don't promote "hot" funds or follow trendy strategies. Instead, we apply a proprietary methodology to create a portfolio tailored to your organization's long-term investment and spending goals and tolerance for risk.

Starting with a top-down strategic perspective, we allocate your funds among major asset classes—stocks, bonds, and, possibly, cash investments. This asset allocation allows for adjustments to your organization's circumstances or important changes in the financial markets. Within each asset class, we emphasize broad diversification

to further dampen long-term portfolio volatility. Only then do we recommend specific Vanguard investments.

### Creating your custom portfolio

The development of your portfolio is based on a clear understanding of your organization's needs, long-term objectives, and spending constraints. Our process includes the following:

#### ■ *Investment policy consulting*

We work with you to review your current investment policy or to develop a policy that reflects your organization's investment objectives. This can include helping you define clear objectives around your organization's maximum spending limits and risk tolerance.



### Vanguard's comprehensive services at a glance

By analyzing your investment philosophy and objectives, we tailor a program to your organization's unique needs. We can:

- Consult with you on an appropriate investment policy.
- Determine your optimal asset allocation.
- Recommend a custom, diversified portfolio of Vanguard funds.
- Provide recordkeeping services.
- Manage your cash flow to meet spending needs.
- Reallocate your investments as your objectives change.
- Update your committee quarterly on investment performance.

- ***Strategic asset allocation analysis*** Using our proprietary asset allocation model, we determine the best mix of assets consistent with your organization's goals and risk profile. We take into account your current holdings, spending rules and requirements, and contributions, as well as asset class returns and inflation. We test and analyze the interaction of these factors over a broad range of economic cycles to make sure that the allocation will meet your objectives in both good times and bad. Finally, we confirm your organization's tolerance for risk through a series of "what if" analyses.
- ***Portfolio development***. After determining a strategic asset allocation, we then construct the most appropriate portfolio for your organization through a sub-asset-allocation analysis. This involves diversifying among funds *within* each asset class. For example, with equities, we look at funds that invest in growth and value stocks; funds that focus on large-, medium-, and small-capitalization firms; and funds that invest in the U.S. and abroad. Among bond funds, sub-asset-allocation takes into account such factors as maturity and credit quality. As a final step, we select specific Vanguard funds—both index and actively managed.

### Ongoing portfolio management

We will continually monitor your portfolio to ensure that your program remains suitable for your organization. This includes managing your cash flows and rebalancing assets when needed based on market developments or on changes in your organization's objectives or circumstances. We also provide:

- ***Custom reporting and analysis***. Our comprehensive quarterly performance reports make it easy for you to monitor your portfolio. Each report includes an asset allocation discussion, comprehensive performance and financial market information, and, if trust services are selected, a detailed account of trust activity. These timely, concise reports provide an excellent basis for investment committee presentations. Annually, we conduct a comprehensive review of your portfolio, revisiting your objectives and cash flow.
- ***Recordkeeping***. Keeping track of income dividend and capital gains distributions and other recordkeeping matters is an important and complex responsibility. It can also be a costly service to purchase from an outside vendor. Vanguard offers superior recordkeeping services—as a matter of course and at no extra charge.

### We can provide full administration of your organization's charitable remainder trusts

As you know, the use of charitable remainder trusts has become a popular strategy for individual giving, and you may find yourself administering these trusts for a number of donors. From our experience, we know that doing this can be difficult and time-consuming because the recordkeeping and tax reporting requirements associated with charitable remainder trusts are usually complicated. Moreover, if you are using an outside individual or organization to administer the trusts, you may find these services more costly than they need to be.

The administration of charitable remainder trusts—either as trustee or agent-for-trustee—is one of the many services that Vanguard can provide at no extra cost through Vanguard Fiduciary Trust Company.

As a Vanguard client, you will be drawing not only on the full range of resources we offer but on our extensive knowledge of the needs of endowments and foundations as well.

## Attentive, personalized service

The day-to-day contact between your organization and Vanguard will be handled by a dedicated Investment Manager, an experienced professional who is salaried and receives no commissions. Because he or she receives no extra compensation for making specific recommendations, your Investment Manager will develop and oversee a portfolio that *serves only your organization's long-term interests*.

All of our Investment Managers have received extensive education and training in managing investments, and they have considerable experience in the financial services industry. Their goals are to understand your organization's unique needs, make themselves readily available to discuss your concerns, and support your investment-decision process. To achieve these goals, your Investment Manager will not only *respond* to your needs, but *anticipate* them.

Underscoring the importance we place on service is our unusually low ratio of clients to Investment Managers. Serving our clients well is the driving force behind everything we do.



Keeping costs as low as possible

is especially important for endowments and foundations

because, as a fiduciary, you must be particularly prudent and efficient in the use of the assets entrusted to your care.

## Our low-cost advantage

Over time, costs prove to be an important dimension of investment performance because they directly reduce returns. As you would expect, Vanguard's mutual funds have expense ratios far below average—less than one-fourth the average mutual fund's in fact—and this preserves a larger share of fund returns for investors. Moreover, Vanguard funds are pure no-load funds. That is, we don't charge sales fees or 12b-1 fees (aimed at recouping certain marketing costs).

Our low-cost advantage applies to our asset management and trust services as well, as the following table shows.

### Vanguard's fee schedule for asset management and trust services

Assets Under Management	Annual Fee
First \$1,000,000 . . . . .	0.65%
Next \$1,000,000. . . . .	0.35%
Amounts over \$2,000,000 . . . . .	0.20%

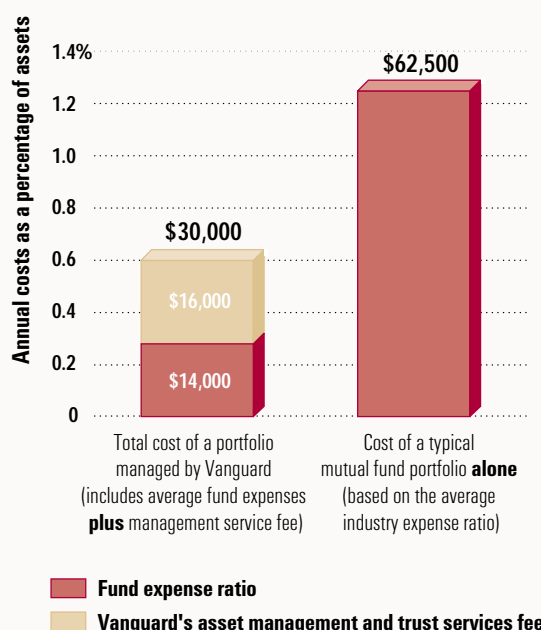
In addition to this annual fee, clients incur the normal costs of owning Vanguard funds. (The average expense ratio for a Vanguard fund in 1998 was 0.28%.)

One way to appreciate Vanguard's low-cost advantage is, quite simply, to compare Vanguard's fees for asset

management and trust services and our funds' expense ratios with those of other companies.

The difference, as you can see in the chart, is significant and impressive. The *total* cost of Vanguard's asset management and trust services—which includes both fund expenses and the management service fee—can be substantially lower than the annual cost of owning the average mutual fund *alone*.

The cost of managing a \$5 million portfolio can be a little—or a lot



The chart assumes the average Vanguard fund expense ratio in 1998 of 0.28%; Vanguard's asset management fee on a \$5 million portfolio of 0.32%; and the average industry expense ratio in 1998 of 1.25%.

We invite you to learn more about the advantages of Vanguard's asset management and trust services and how we can help you carry out your fiduciary responsibility.

## An invitation from Vanguard

Investors, including endowments and foundations, expect Vanguard to deliver competitive long-term performance—based on a consistent, risk-sensitive investment approach—and exceptional client service, all at the lowest possible cost. This extraordinary combination stems naturally from Vanguard's corporate structure, which aligns our interests with yours and underpins our reputation for candor and integrity.

If you have any questions or would like more information, please call us at **1-800-567-5163**. Or, if you prefer, simply complete and return the enclosed nonbinding questionnaire, and a Vanguard professional will contact you.



Vanguard Asset Management and Trust Services  
1-800-567-5163



Post Office Box 709  
Valley Forge, PA 19482-0709

**World Wide Web**

[www.vanguard.com](http://www.vanguard.com)

**Toll-Free Information**

1-800-567-5163

Vanguard funds are offered by prospectus only. Prospectuses contain more complete information on risks, advisory fees, distribution charges, and other expenses and should be read carefully before you invest or send money. Prospectuses can be obtained directly from The Vanguard Group.

Vanguard's asset management and trust services are provided by Vanguard Fiduciary Trust Company. Vanguard Fiduciary Trust Company is established under the laws of Pennsylvania. Trust services may not be available in all states.

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**Vanguard®**  
**Asset Management and**  
**Trust Services**

**A message to endowments and foundations**

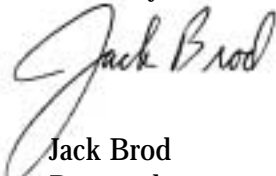
Organizations such as yours want to achieve their investment objectives at the lowest reasonable cost and the lowest risk. The Vanguard Group®—the largest pure no-load mutual fund company in the world—can help your organization reach its goals through our unique combination of competitive long-term performance, high-quality service, and low costs. Moreover, Vanguard is keenly aware of the financial needs of organizations such as yours because we have served endowments and foundations for years.

We help endowments and foundations through Vanguard Asset Management and Trust Services, which provides investment policy consulting, asset allocation analysis, portfolio management, customized reporting, and recordkeeping. Our dedicated Investment Managers are sensitive to the spending needs of each of their clients, so we tailor our asset management services to your specific investment philosophy, risk tolerance, and financial objectives. Importantly, clients tell us that what they value most about Vanguard is that we are a partner they can trust.

I have enclosed a brochure that describes our services in detail. If you have questions, we welcome your call at 1-800-567-5163. Or, if you prefer, complete and return the enclosed questionnaire, and we'll contact you—no obligation, of course.

I hope you'll give the skilled professionals of Vanguard Asset Management and Trust Services an opportunity to help your organization achieve its goals.

Sincerely,



Jack Brod  
Principal

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World Wide Web—[www.vanguard.com](http://www.vanguard.com)



**Vanguard<sup>®</sup>**  
**Asset Management and**  
**Trust Services**

Profile Questionnaire

*Completing this questionnaire can help you establish a relationship with Vanguard Asset Management and Trust Services and will help us meet your needs more effectively. (You will be under no obligation by completing this questionnaire.)*

*If you have questions, please call us at 1-800-567-5163.*

Section 1

# Core Data

1. Type of organization:     Endowment                       Foundation                       Corporation  
    Association                       Government entity                       Trust  
    Other (*please specify*) \_\_\_\_\_
2. Name of organization \_\_\_\_\_ Tax identification number \_\_\_\_\_
3. Does your organization have a web page?     Yes     No  
If yes, what is the address? \_\_\_\_\_
4. Your name \_\_\_\_\_
5. Name of primary contact at organization \_\_\_\_\_
- Telephone number    Day (    ) \_\_\_\_\_                      Evening (    ) \_\_\_\_\_
- Fax number (    ) \_\_\_\_\_                      E-mail address \_\_\_\_\_
- Street \_\_\_\_\_
- City \_\_\_\_\_                      State \_\_\_\_\_                      Zip \_\_\_\_\_

Section 2

# Investment Assets

1. What is the total value of your organization's assets? \$ \_\_\_\_\_

Please provide a brief description of your organization's purpose and the intended use of the assets. If you have prepared investment objectives or guidelines, please attach them.

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2. Which of the words below best describes the risk tolerance for these assets?

- Conservative                       Moderate                       Aggressive

3. Please provide the following information, if known:

Return objective \_\_\_\_\_  
Benchmark indexes \_\_\_\_\_  
Time horizon \_\_\_\_\_

4. What portion of the assets would you like Vanguard to manage? \$ \_\_\_\_\_

5. Are any of the assets currently invested with Vanguard?       Yes                       No

If yes, what is the value of those assets?      \$ \_\_\_\_\_

6. Do you wish to transfer any outside assets to Vanguard?       Yes                       No

If yes, please attach a current statement for the outside assets.

7. Are the assets subject to any income or capital gains taxes?       Yes                       No

If yes, please specify.

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# Other Financial Information

1. Describe your organization's historical and anticipated cash flows:

	<b>Contributions</b> (\$ or %)	<b>Withdrawals</b> (\$ or %)
<b>Anticipated annual amount</b>	_____	_____
<b>Historical amount</b>		
Last year	_____	_____
Two years ago	_____	_____
Three years ago	_____	_____

2. Describe restrictions on spending from your portfolio.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Describe significant changes to contributions or withdrawal rates that you expect in the future.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Describe liquidity needs not mentioned above that we should know about.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_





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