



**Vanguard®**

# Vanguard Market Liquidity Fund Prospectus

December 20, 2018

Investor Shares

Vanguard Market Liquidity Fund

This prospectus contains financial data for the Fund through the fiscal year ended August 31, 2018.

The Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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# Fund Summary

## Investment Objective

The Fund seeks to provide current income while maintaining liquidity.

## Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold shares of the Fund.

### Shareholder Fees

(Fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases	None
Purchase Fee	None
Sales Charge (Load) Imposed on Reinvested Dividends	None
Redemption Fee	None

### Annual Fund Operating Expenses

(Expenses that you pay each year as a percentage of the value of your investment)

Management Fees	None
12b-1 Distribution Fee	None
Other Expenses	0.005%
Total Annual Fund Operating Expenses	0.005%

### Example

The following example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. It illustrates the hypothetical expenses that you would incur over various periods if you were to invest \$10,000 in the Fund's shares. This example assumes that the Fund provides a return of 5% each year and that total annual fund operating expenses remain as stated in the preceding table. You would incur these hypothetical expenses whether or not you redeem your investment at the end of the given period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$1	\$2	\$3	\$6

## Principal Investment Strategies

The Fund invests in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, Eurodollar and Yankee obligations, and other money market securities. To be considered high quality, a security must be determined by Vanguard to present minimal credit risk based in part on a consideration of maturity, portfolio diversification, portfolio liquidity, and credit quality. The Fund invests more than 25% of its assets in securities issued by companies in the financial services industry. The Fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

## Principal Risks

On August 12, 2016, the Fund, as an institutional money market fund, was required to transition to a floating net asset value (NAV) as a result of the SEC's money market fund reforms. The Fund is designed for investors with a low tolerance for risk; however, the Fund is subject to the following risks, which could affect the Fund's performance:

- *Income risk*, which is the chance that the Fund's income will decline because of falling interest rates. Because the Fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.
- *Manager risk*, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.
- *Credit risk*, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Credit risk should be very low for the Fund because it invests primarily in securities that are considered to be of high quality.
- *Industry concentration risk*, which is the chance that there will be overall problems affecting a particular industry. Because the Fund invests more than 25% of its assets in securities issued by companies in the financial services industry, the Fund's performance depends to a greater extent on the overall condition of that industry and is more susceptible to events affecting that industry.

A sale or exchange of Fund shares is a taxable event. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your tax return.

You could lose money by investing in the Fund. Because the share price of the Fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

### Annual Total Returns

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The bar chart shows how the performance of the Fund has varied from one calendar year to another over the periods shown. The table shows how the average annual total returns of the Fund compare with those of a comparative benchmark, which has investment characteristics similar to those of the Fund. Returns for the Institutional Money Market Funds Average are derived from data provided by Lipper, a Thomson Reuters Company. Keep in mind that the Fund's past performance does not indicate how the Fund will perform in the future. Updated performance information is available on our website at [vanguard.com/performance](http://vanguard.com/performance) or by calling Vanguard toll-free at 800-662-7447.

Annual Total Returns — Vanguard Market Liquidity Fund Investor Shares<sup>1</sup>



<sup>1</sup> The year-to-date return as of the most recent calendar quarter, which ended on September 30, 2018, was 1.42%.

During the periods shown in the bar chart, the highest return for a calendar quarter was 0.96% (quarter ended March 31, 2008), and the lowest return for a quarter was 0.03% (quarter ended March 31, 2012).

## Average Annual Total Returns for Periods Ended December 31, 2017

	1 Year	5 Years	10 Years
Vanguard Market Liquidity Fund Investor Shares	1.11%	0.42%	0.57%
Institutional Money Market Funds Average	0.82%	0.22%	0.41%

### Investment Advisor

The Vanguard Group, Inc. (Vanguard)

### Portfolio Manager

John C. Lanius, Portfolio Manager at Vanguard. He has managed the Fund since 2006.

### Purchase and Sale of Fund Shares

The Fund has been established by Vanguard as a cash management vehicle for the Vanguard funds and certain trusts and accounts managed by Vanguard or its affiliates. The Fund is not available to other investors. As a result of the Fund's transition to a floating NAV, subscription orders in the Fund can only be placed in dollars, while redemption orders can be placed in units or dollars. When a trade is processed depends on the day and time Vanguard receives the request in good order and the manner in which it is submitted. Generally, trades placed after the close of business are processed during the next business day.

### Tax Information

The Fund's distributions may be taxable as ordinary income or capital gain. If you are investing through a tax-deferred retirement account, such as an IRA, special tax rules apply.

### Payments to Financial Intermediaries

The Fund and its investment advisor do not pay financial intermediaries for sales of Fund shares.

# Investing in Money Market Funds

## What is Money Market Reform?

In July 2014, the Securities and Exchange Commission (SEC) implemented a number of regulatory changes designed to enhance the stability and resilience of all money market funds. The reforms have created three categories of money market funds:

- *Retail money market funds*, which may maintain a stable net asset value (NAV) but are subject to liquidity fees and redemption gates.
- *Government money market funds*, which may maintain a stable NAV but are not required to implement liquidity fees and redemption gates.
- *Institutional money market funds*, which are required to have a floating NAV and are subject to liquidity fees and redemption gates.

The board of trustees of Vanguard CMT Funds (the Board), in accordance with the best interest of the shareholders, approved a number of changes in response to the SEC's 2014 amendments to the rules governing money market funds. These changes—including the Fund's transition to a floating NAV and the Board's ability to implement liquidity fees and redemption gates if the Fund's weekly liquid assets fall below established thresholds—are now in effect. As part of these changes, information regarding the Fund's weekly liquid assets for the prior six months (by day, as of the close of business) is available on the Fund's Portfolio page at [vanguard.com](http://vanguard.com).

## How Does This Affect Vanguard Money Market Funds?

The money market fund reforms impact money market funds differently depending on the types of investors permitted to invest in a fund and the types of securities in which a fund may invest.

### Vanguard Market Liquidity Fund

Vanguard has designated Vanguard Market Liquidity Fund as an institutional money market fund.

Institutional money market funds are not limited to “natural persons” and may be held by institutional as well as retail investors. An institutional money market fund generally is not permitted to use amortized cost or penny rounding methods to calculate NAV. Rather, an institutional money market fund is required to transact at a floating NAV, a market-based NAV calculated to four decimal places or an equivalent value for funds with a different share price (e.g., \$10.000 or \$100.00). If an institutional money market fund's weekly liquid assets fall below a certain threshold, the institutional money market fund is subject to liquidity fees and redemption gates.

There are two types of liquidity fees: *discretionary* liquidity fees and *default* liquidity fees. Liquidity fees are designed to transfer the costs of liquidating securities from shareholders who remain in the Fund to those who leave the Fund during periods when liquidity is limited.

***Discretionary liquidity fee.*** The Fund may impose a liquidity fee of up to 2% on all redemptions in the event that the Fund's weekly liquid assets fall below 30% of its total assets if the Board determines that it is in the best interest of the Fund. Subject to practical limitations necessary to implement the fee, the discretionary liquidity fee may be implemented the same day that the Board determines to impose a fee. Once the Fund has restored its weekly liquid assets to 30% of total assets, any liquidity fee must be suspended.

***Default liquidity fee.*** The Fund is required to impose a liquidity fee of 1% on all redemptions in the event that the Fund's weekly liquid assets fall below 10% of its total assets *unless* the Board determines that (1) the fee is not in the best interest of the Fund or (2) a lesser/higher fee (up to 2%) is in the best interest of the Fund. A default liquidity fee is required to be implemented the business day after the Board determines to impose a fee.

In addition to, or in lieu of, the liquidity fee, the Fund is permitted to implement temporarily a redemption *gate* (i.e., suspend redemptions) if the Fund's weekly liquid assets fall below 30% of its total assets. The gate could remain in effect for no longer than 10 days in any 90-day period. Once the Fund has restored its weekly liquid assets to 30% of total assets, the gate must be lifted.

Once the Fund imposes a redemption gate, then unprocessed orders to redeem or exchange will be canceled and the Fund will not accept redemption or exchange orders until the gate is no longer in effect. If you still wish to redeem or exchange once the gate is lifted, you will need to submit a new redemption or exchange request to the Fund.


The Board also may determine that it would not be in the interests of the Fund to continue operating if the Fund's weekly liquid assets fall below 10% of its total assets. In the event that the Board approves liquidation of the Fund under these circumstances, the Fund may permanently suspend redemptions and liquidate.

Notices regarding liquidity fees or redemption gates will be filed with the SEC on Form N-CR. In addition, announcements will also be made in supplements to the Fund's prospectus and on the Fund's website.

*The Fund is subject to money market fund reform regulatory risk, which is the chance that 2014 SEC reforms will affect the Fund's investment strategy, fees and expenses, portfolio, share liquidity, and return potential as a result of the implemented rules.*



## More on the Fund

This prospectus describes the principal risks you would face as a Fund shareholder. It is important to keep in mind one of the main principles of investing: generally, the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. As you consider an investment in any mutual fund, you should take into account your personal tolerance for fluctuations in the securities markets. Look for this  symbol throughout the prospectus. It is used to mark detailed information about the more significant risks that you would confront as a Fund shareholder. To highlight terms and concepts important to mutual fund investors, we have provided Plain Talk<sup>®</sup> explanations along the way. Reading the prospectus will help you decide whether the Fund is the right investment for you. We suggest that you keep this prospectus for future reference.

Vanguard Market Liquidity Fund has been established by Vanguard as a cash management vehicle for the Vanguard funds and certain trusts and accounts managed by Vanguard or its affiliates. The Fund is not available to other investors. Vanguard reserves the right to change the availability of the Fund at any time without prior notice to shareholders. The Fund operates under an exemption issued by the SEC.

### A Similar but Distinct Vanguard Fund

The Fund offered by this prospectus should not be confused with Vanguard Prime Money Market Fund, a separate Vanguard fund available only to retail investors that has a similar investment objective and similar policies but seeks to maintain a stable NAV through the use of amortized cost accounting. The respective money market instruments held by the funds will differ. The funds' holdings, combined with differences in the funds' respective cash flows and expenses, are expected to produce different investment returns. Although Vanguard Market Liquidity Fund has lower expenses, investors should not expect this Fund necessarily to outperform Vanguard Prime Money Market Fund.

Vanguard Prime Money Market Fund offers its shares through a separate prospectus. To obtain the prospectus for that fund, please call 800-662-7447.

### Plain Talk About Fund Expenses

All mutual funds have operating expenses. These expenses, which are deducted from a fund's gross income, are expressed as a percentage of the net assets of the fund. Assuming that operating expenses remain as stated in the Fees and Expenses section, Vanguard Market Liquidity Fund's expense ratio would be 0.005%, or \$0.05 per \$1,000 of average net assets. The average expense ratio for institutional money market funds in 2017 was 0.32%, or \$3.20 per \$1,000 of average net assets (derived from data provided by Lipper, a Thomson Reuters Company, which reports on the mutual fund industry).

## Plain Talk About Costs of Investing

Costs are an important consideration in choosing a mutual fund. That is because you, as a shareholder, pay a proportionate share of the costs of operating a fund and any transaction costs incurred when the fund buys or sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation a fund achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a fund's performance.


The following sections explain the principal investment strategies and policies that the Fund uses in pursuit of its objective. The Fund's board of trustees, which oversees the Fund's management, may change investment strategies or policies in the interest of shareholders without a shareholder vote, unless those strategies or policies are designated as fundamental. Note that the Fund's investment objective is not fundamental and may be changed without a shareholder vote.

## Market Exposure

The Fund's principal investment strategy is to invest in high-quality money market instruments. Also known as cash equivalent investments, these instruments are considered short-term (i.e., they usually mature in 397 days or less). The Fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less. The Fund invests more than 25% of its assets in securities issued by companies in the financial services industry.

## Plain Talk About Money Market Instruments


The term "money market instruments" refers to a variety of short-term, liquid investments, usually with maturities of 397 days or less. Some common types are *U.S. Treasury bills and notes*, which are securities issued by the U.S. government; *commercial paper*, which is a promissory note issued by a large company or a financial firm; *banker's acceptances*, which are credit instruments guaranteed by banks; and *negotiable certificates of deposit*, which are promissory notes issued by banks in large denominations. Money market investments can pay fixed, variable, or floating rates of interest.

 *The Fund is subject to income risk, which is the chance that the Fund's income will decline because of falling interest rates. A fund's income declines when interest rates fall because the fund then must invest new cash flow and cash from maturing instruments in lower-yielding instruments. Because the Fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.*

A low interest rate environment could adversely affect the Fund's return. Low interest rates could prevent the Fund from providing a positive yield.

### Security Selection


Vanguard, advisor to the Fund, selects high-quality money market instruments. The Fund focuses on securities of a particular class of issuer (the U.S. government, U.S. government agencies, or nongovernment issuers).

 *The Fund is subject to manager risk, which is the chance that poor security selection will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.*

### Plain Talk About Credit Quality

A money market instrument's credit quality is an assessment of the issuer's ability to pay interest and, ultimately, to repay the principal. The lower the credit quality, the greater the perceived chance that the issuer will default, or fail to meet its payment obligations. Direct U.S. Treasury obligations, along with other securities backed by the "full faith and credit" of the U.S. government, generally are determined to have the highest credit quality. All things being equal, money market instruments with greater credit risk offer higher yields.

The Fund invests in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. To be considered high quality, a security must be determined by Vanguard to present minimal credit risk based in part on a consideration of maturity, portfolio diversification, portfolio liquidity, and credit quality. The Fund also invests in short-term corporate, state, and municipal obligations that are considered high quality.

 *The Fund is subject to industry concentration risk, which is the chance that the Fund's performance will be significantly affected, for better or for worse, by developments in the financial services industry.*

More than 25% of the Fund's assets are invested in securities issued by companies in the financial services industry, such as U.S. and foreign banks, insurance companies, real estate-related companies (i.e., companies having at least 50% of their assets, revenues, or net income related to, or derived from, the real estate industry), securities firms, leasing companies, and other companies principally engaged in providing financial services to consumers and industry. These investments include, among others, bank obligations, high-quality asset-backed securities, and securities issued by the automobile finance industry. Because of the concentration, changes in economic, regulatory, and political conditions that affect financial services companies could have a significant effect on the Fund. These conditions include changes in interest rates and defaults in payments by borrowers.

The Fund may also invest in Eurodollar and Yankee obligations, which include certificates of deposit issued in U.S. dollars by foreign banks and foreign branches of U.S. banks. Eurodollar and Yankee obligations have the same risks, such as income risk and credit risk, as those of U.S. money market instruments. Other risks of Eurodollar and Yankee obligations include the chance that a foreign government will not let U.S. dollar-denominated assets leave the country, the chance that the banks that issue Eurodollar obligations will not be subject to the same regulations as U.S. banks, and the chance that adverse political or economic developments will affect investments in a foreign country. Before the Fund's advisor selects a Eurodollar or Yankee obligation, however, any foreign issuer undergoes the same credit-quality analysis and tests of financial strength as those for the issuers of domestic securities.




***The Fund is subject, to a limited extent, to credit risk, which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Credit risk should be very low for the Fund because it invests primarily in securities that are considered to be of high quality.***

## Plain Talk About U.S. Government-Sponsored Entities

A variety of U.S. government-sponsored entities (GSEs), such as the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Banks (FHLBs), issue debt and mortgage-backed securities. Although GSEs may be chartered or sponsored by acts of Congress, they are not funded by congressional appropriations. In September of 2008, the U.S. Treasury placed FNMA and FHLMC under conservatorship and appointed the Federal Housing Finance Agency (FHFA) to manage their daily operations. In addition, the U.S. Treasury entered into purchase agreements with FNMA and FHLMC to provide them with capital in exchange for senior preferred stock. Generally, a GSE's securities are neither issued nor guaranteed by the U.S. Treasury and are not backed by the full faith and credit of the U.S. government. In most cases, these securities are supported only by the credit of the GSE, standing alone. In some cases, a GSE's securities may be supported by the ability of the GSE to borrow from the U.S. Treasury or may be supported by the U.S. government in some other way. Securities issued by the Government National Mortgage Association (GNMA), however, are backed by the full faith and credit of the U.S. government.

Overall, the Fund's investments are in securities considered to be of high credit quality. However, because the Fund invests a portion of its assets in money market securities issued by private companies, it is possible that one or more of these companies may experience financial difficulties and, as a result, may fail to pay interest to the Fund or fail to return the Fund's principal when repayment is due. Bear in mind that although the Fund invests in high-quality money market instruments, the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other agency of the U.S. government.

 ***The Fund reserves the right to invest in repurchase agreements, which are subject to specific risks.***

## Plain Talk About Repurchase Agreements

Repurchase agreements are contracts in which a bank or securities dealer sells government securities and agrees to repurchase the securities on a specific date (normally the next business day) at a specific price.

Repurchase agreements carry several risks. For instance, if the seller is unable to repurchase the securities as promised, the Fund may experience a loss when trying to sell the securities to another buyer. Also, if the seller becomes insolvent, a bankruptcy court may determine that the securities do not belong to the Fund and order that the securities be used to pay off the seller's debts. The Fund's advisor believes that these risks can be controlled through careful security and counterparty selection and monitoring.



***The Fund reserves the right to invest, to a limited extent, in adjustable-rate securities, which are a type of derivative.***

An adjustable-rate security's interest rate, as the name implies, is not set; instead, it fluctuates periodically. Generally, the security's yield is based on a U.S. dollar-based interest rate benchmark such as the federal funds rate, the 90-day U.S. Treasury bill rate, or another reference rate. Adjustable-rate securities reset their yields on a periodic basis (e.g., daily, weekly, or quarterly) or upon a change in the benchmark interest rate. These yields are closely correlated to changes in money market interest rates.

The Fund will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns.

### Plain Talk About Derivatives

A derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, a bond, or a currency), a money market benchmark (such as U.S. Treasury bill rates or the federal funds effective rate), a physical asset (such as gold, oil, or wheat), a market index, or a reference rate.

In addition, the Fund may invest up to 5% of its net assets in illiquid securities. Illiquid securities are securities that the Fund may not be able to sell within seven days in the ordinary course of business at approximately the price at which they are valued.

## Plain Talk About Weighted Average Maturity and Weighted Average Life

A money market fund will maintain a dollar-weighted average maturity (WAM) of 60 days or less and a dollar-weighted average life (WAL) of 120 days or less. For purposes of calculating a fund's WAM, the maturity of certain longer-term adjustable-rate securities held in the portfolio will generally be the period remaining until the next interest rate adjustment. When calculating its WAL, the maturity for these adjustable-rate securities will generally be the final maturity date—the date on which principal is expected to be returned in full. Maintaining a WAL of 120 days or less limits a fund's ability to invest in longer-term adjustable-rate securities, which are generally more sensitive to changes in interest rates, particularly in volatile markets.

## Methods Used to Meet Redemption Requests

Under normal circumstances, the Fund typically expects to meet redemptions with positive cash flows. When this is not an option, the Fund seeks to maintain its risk exposure by selling a cross section of the Fund's holdings to meet redemptions, while also factoring in transaction costs. Additionally, since the Fund is only available for limited purchase by certain institutional accounts for which Vanguard or its affiliates has discretionary authority, the Fund's portfolio manager is typically aware of upcoming redemption requests. The Fund may work with larger clients to implement their redemptions in a manner that is least disruptive to the portfolio.

Under certain circumstances, including under stressed market conditions, there are additional tools that the Fund may use in order to meet redemptions, including advancing the settlement of market trades with counterparties to match investor redemption payments or delaying settlement of an investor's transaction to match trade settlement within regulatory requirements. The Fund may also suspend payment of redemption proceeds for up to seven days. Additionally under these unusual circumstances, the Fund may borrow money (subject to certain regulatory conditions and if available under board-approved procedures) through an interfund lending facility or through a bank line-of-credit, including a joint committed credit facility, in order to meet redemption requests.

## Temporary Investment Measures

The Fund may temporarily depart from its normal investment policies and strategies—for instance, by allocating substantial assets to cash equivalent investments—in response to adverse or unusual market, economic, political, or other conditions. In doing so, the Fund may succeed in avoiding losses but may otherwise fail to achieve its investment objective.

## Plain Talk About Cash Equivalent Investments

For mutual funds that hold cash equivalent investments, “cash” does not mean literally that the fund holds a stack of currency. Rather, cash refers to short-term, interest-bearing securities that can easily and quickly be converted to currency.

### Frequent Trading or Market-Timing

Vanguard anticipates that shareholders will purchase and sell shares of money market funds frequently because these funds are designed to offer investors a liquid investment. For this reason, the board of trustees of the Fund has determined that it is not necessary to adopt policies and procedures designed to detect and deter frequent trading and market-timing in the money market fund shares. For information on frequent-trading limits of other Vanguard funds, please see the appropriate fund’s prospectus.

### The Fund and Vanguard

The Vanguard Group is a family of over 200 funds holding assets of approximately \$4.9 trillion. All of the funds that are members of The Vanguard Group (other than funds of funds) share in the expenses associated with administrative services and business operations, such as personnel, office space, and equipment. The Fund is not a member of The Vanguard Group, but is administered by Vanguard and pays Vanguard a fee to provide management, advisory, marketing, accounting, transfer agency, and other services.

### Investment Advisor

The Vanguard Group, Inc., P.O. Box 2600, Valley Forge, PA 19482, which began operations in 1975, serves as advisor to the Fund through its Fixed Income Group. As of August 31, 2018, Vanguard served as advisor for approximately \$4.2 trillion in assets.

The Fund has two agreements with Vanguard, each of which is described below.

***Management and Distribution Agreement.*** Vanguard serves as the Fund’s advisor and provides a range of administrative services to the Fund under the terms of the Management and Distribution Agreement. As part of this agreement, the Fund pays Vanguard monthly based on actual costs incurred in providing the services under the agreement.

***Shareholder Services Agreement.*** Vanguard provides a range of transfer agency and shareholder services to the Fund under the terms of the Shareholder Services Agreement. As part of this agreement, the Fund pays Vanguard monthly based on actual costs incurred in providing the services under the agreement.



For the fiscal year ended August 31, 2018, the amounts paid to Vanguard represented an effective annual rate of less than 0.01% of the Fund's average net assets.

For a discussion of why the board of trustees approved the Fund's investment advisory arrangement, see the most recent annual report to shareholders covering the fiscal year ended August 31.

The manager primarily responsible for the day-to-day management of the Fund is:

**John C. Lanius**, Portfolio Manager at Vanguard. He has been with Vanguard since 1996, has worked in investment management since 1997, has managed investment portfolios since 2004, and has managed the Fund since 2006. Education: B.A., Middlebury College.

The *Statement of Additional Information* provides information about the portfolio manager's compensation, other accounts under management, and ownership of shares of the Fund.

## **Dividends, Capital Gains, and Taxes**

### **Fund Distributions**

The Fund distributes to shareholders virtually all of its net income (interest less expenses) as well as any net short-term or long-term capital gains realized from the sale of its holdings. As a money market fund, the Fund's distributions are expected to consist primarily of income dividends. Income dividends generally are declared daily and distributed monthly. In addition, the Fund may occasionally make a supplemental distribution at some other time during the year. You can receive distributions of income or capital gains in cash, or you can have them automatically reinvested in more shares of the Fund.

### **Basic Tax Points**

Investors in taxable accounts should be aware of the following basic federal income tax points:

- Distributions are taxable to you whether or not you reinvest these amounts in additional Fund shares.
- Distributions declared in December—if paid to you by the end of January—are taxable as if received in December.
- Any income dividend distribution or short-term capital gains distribution that you receive is taxable to you as ordinary income.

- Any distribution of net long-term capital gains is taxable to you as long-term capital gains, no matter how long you have owned shares in the Fund. Because of the short-term nature of the Fund's holdings, the Fund generally does not expect to make distributions of net long-term capital gains.
- As a result of the Fund's transition to a floating NAV, a sale or exchange of Fund shares may result in a capital gain or loss for you. This means that you may have a capital gain to report as income, or a capital loss to report as a deduction, when you complete your tax return. The Fund's *Statement of Additional Information* contains more information regarding the different methods available to you for calculating this gain or loss.
- If you redeem or exchange shares when the Fund has imposed a liquidity fee, then the amount you receive for your redemption will be reduced by the amount of the liquidity fee and will generally cause you to recognize a loss for tax purposes equal to the amount of that fee. If the Market Liquidity Fund has imposed a liquidity fee, it is possible that the Fund may need to distribute to its remaining shareholders all or a portion of the amount of the fee collected. This distribution may be taxable to you as ordinary income or may constitute a non-taxable return of capital.

Individuals, trusts, and estates whose income exceeds certain threshold amounts are subject to a 3.8% Medicare contribution tax on "net investment income." Net investment income takes into account distributions paid by the Fund and capital gains from any sale or exchange of Fund shares.

Income dividends and capital gains distributions that you receive, as well as your gains or losses from any sale or exchange of Fund shares, may be subject to state and local income taxes. Depending on your state's rules, however, any dividends attributable to interest earned on *direct* obligations of the U.S. government may be exempt from state and local taxes. Vanguard will notify you each year how much, if any, of your dividends may qualify for this exemption.

This prospectus provides general tax information only. Please consult your tax advisor for detailed information about any tax consequences for you.

## General Information

**Backup withholding.** By law, Vanguard must withhold 24% of any taxable distributions or redemptions from your account if you do not:

- Provide your correct taxpayer identification number.
- Certify that the taxpayer identification number is correct.
- Confirm that you are not subject to backup withholding.

Similarly, Vanguard must withhold taxes from your account if the IRS instructs us to do so.

**Foreign investors.** Vanguard funds offered for sale in the United States (Vanguard U.S. funds), including the Fund offered in this prospectus, are not widely available outside the United States. Non-U.S. investors should be aware that U.S. withholding and estate taxes and certain U.S. tax reporting requirements may apply to any investments in Vanguard U.S. funds. Foreign investors should visit the Non-U.S. investors page on our website at [vanguard.com](http://vanguard.com) for information on Vanguard's non-U.S. products.

**Invalid addresses.** If an income dividend distribution or capital gains distribution check mailed to your address of record is returned as undeliverable, Vanguard will automatically reinvest the distribution and all future distributions until you provide us with a valid mailing address. Reinvestments will receive the net asset value calculated on the date of the reinvestment.

## Share Price

Share price, also known as *net asset value* (NAV), is calculated each business day as of the close of regular trading on the New York Stock Exchange (NYSE), generally 4 p.m., Eastern time. In the rare event the NYSE experiences unanticipated disruptions and is unavailable at the close of the trading day, NAVs will be calculated as of the close of regular trading on the Nasdaq (or another alternate exchange if the Nasdaq is unavailable, as determined at Vanguard's discretion), generally 4 p.m., Eastern time. The NAV per share is computed by dividing the total assets, minus liabilities, of the Fund by the number of Fund shares outstanding. On U.S. holidays or other days when the NYSE is closed, the NAV is not calculated, and the Fund does not sell or redeem shares.

Debt securities held by a Vanguard fund are valued based on information furnished by an independent pricing service or market quotations. When a fund determines that pricing-service information or market quotations either are not readily available or do not accurately reflect the value of the security, the security is priced at its *fair value* (the amount that the owner might reasonably expect to receive upon the current sale of the security).

Certain short-term debt instruments used to manage a fund's cash may be valued at amortized cost when it approximates fair value; the instruments held by a Vanguard retail or government money market fund are valued on the basis of amortized cost. The values of any foreign securities held by a fund are converted into U.S. dollars using an exchange rate obtained from an independent third party as of the close of regular trading on the NYSE. The values of any mutual fund shares, including institutional money market fund shares, held by a fund are based on the NAVs of the shares. The values of any ETF shares or closed-end fund shares held by a fund are based on the market value of the shares.

A fund also may use fair-value pricing on bond market holidays when the fund is open for business (such as Columbus Day and Veterans Day). Fair-value prices are determined by Vanguard according to procedures adopted by the board of trustees. When fair-value pricing is employed, the prices of securities used by a fund to calculate the NAV may differ from quoted or published prices for the same securities.

The NAV of Vanguard retail and government money market funds is expected to remain relatively stable. Instruments are purchased and managed with that goal in mind.

Vanguard fund share prices are published daily; share prices, along with money market fund yields, are available on our website at [vanguard.com/prices](http://vanguard.com/prices).

## Financial Highlights

The following financial highlights table is intended to help you understand the Fund's financial performance for the periods shown, and certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost each period on an investment in the Fund (assuming reinvestment of all distributions). This information has been obtained from the financial statements audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report—along with the Fund's financial statements—is included in the Fund's most recent annual report to shareholders. You may obtain a free copy of the latest annual or semiannual report by contacting Vanguard by telephone or mail.

### Market Liquidity Fund

For a Share Outstanding Throughout Each Period	Year Ended August 31,				
	2018	2017	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
<b>Net Asset Value, Beginning of Period</b>	<b>\$100.02</b>	<b>\$100.01</b>	<b>\$100.00</b>	<b>\$100.00</b>	<b>\$100.00</b>
<b>Investment Operations</b>					
Net Investment Income	1.676	.919	.421	.100	.100
Net Realized and Unrealized Gain (Loss) on Investments	—	.010	.010	—	—
Total from Investment Operations	1.676	.929	.431	.100	.100
<b>Distributions</b>					
Dividends from Net Investment Income	(1.676)	(.919)	(.421)	(.100)	(.100)
Distributions from Realized Capital Gains	—	—	—	—	—
Total Distributions	(1.676)	(.919)	(.421)	(.100)	(.100)
<b>Net Asset Value, End of Period</b>	<b>\$100.02</b>	<b>\$100.02</b>	<b>\$100.01</b>	<b>\$100.00</b>	<b>\$100.00</b>
<b>Total Return</b>	<b>1.69%</b>	<b>0.93%</b>	<b>0.43%</b>	<b>0.13%</b>	<b>0.12%</b>
<b>Ratios/Supplemental Data</b>					
Net Assets, End of Period (Millions)	\$54,936	\$52,870	\$43,683	\$47,040	\$37,202
Ratio of Total Expenses to Average Net Assets	0.005%	0.005%	0.005%	0.005%	0.005%
Ratio of Net Investment Income to Average Net Assets	1.68%	0.93%	0.42%	0.13%	0.12%

1 Adjusted to reflect a 1-for-100 reverse share split as of the close of business on August 12, 2016.

# Investing With Vanguard

Vanguard Market Liquidity Fund has been established by Vanguard as a cash management vehicle for the Vanguard funds and certain trusts and accounts managed by Vanguard or its affiliates. The Fund is not available to other investors. As a result of the Fund's transition to a floating NAV, subscription orders in Vanguard Market Liquidity Fund can only be placed in dollars, while redemption orders can be placed in units or dollars. Vanguard reserves the right to change the availability of Vanguard Market Liquidity Fund or offer additional funds at any time without prior notice to shareholders.

Purchases, redemptions, and exchanges of shares issued by Vanguard Market Liquidity Fund are conducted by Vanguard or its affiliates on behalf of the participating funds, trusts, and accounts based on a determination of the participant's daily cash management requirements. There is no minimum amount required to open, to maintain, or to add to an existing account.

Transactions will generally be based on the Fund's next-determined NAV after Vanguard receives the request (or, in the case of new contributions, the next-determined NAV after Vanguard receives the order). As long as this request is received before the close of regular trading on the New York Stock Exchange (generally 4 p.m., Eastern time) and a liquidity fee or redemption gate is not in effect, the investor will receive that business day's NAV. This is known as the trade date. Transaction requests received after that time receive a trade date of the first business day following the date of receipt. The trade date may vary depending on the method of payment for the transaction.

If a redemption request is received in good order, Vanguard typically expects that redemption proceeds will be paid by the Fund within one business day of the trade date; however, in certain circumstances, investors may experience a longer settlement period at the time of the transaction.

If an investor redeems shares when the Fund has imposed a liquidity fee, then the amount received for the redemption will be reduced by the amount of the liquidity fee and will generally result in a loss for tax purposes equal to the amount of that fee. Once the Fund imposes a redemption gate, then unprocessed orders to redeem will be canceled and the Fund will not accept redemption orders until the gate is no longer in effect. If an investor still wishes to redeem once the gate is lifted, the investor will need to submit a new redemption request to the Fund.

## Portfolio Holdings

Please consult the Fund's *Statement of Additional Information* or our website for a description of the policies and procedures that govern disclosure of the Fund's portfolio holdings.

## Additional Information

	Inception Date	Vanguard Fund Number	CUSIP Number
Market Liquidity Fund	7/19/2004	1142	92202X209

# Glossary of Investment Terms

**Capital Gains Distributions.** Payments to mutual fund shareholders of gains realized on securities that a fund has sold at a profit, minus any realized losses.

**Cash Equivalent Investments.** Cash deposits, short-term bank deposits, and money market instruments that include U.S. Treasury bills and notes, bank certificates of deposit (CDs), repurchase agreements, commercial paper, and banker's acceptances.

**Dividend Distributions.** Payments to mutual fund shareholders of income from interest or dividends generated by a fund's investments.

**Expense Ratio.** A fund's total annual operating expenses expressed as a percentage of the fund's average net assets. The expense ratio includes management and administrative expenses, but it does not include the transaction costs of buying and selling portfolio securities.

**Floating Net Asset Value (NAV).** A share price that fluctuates in response to the current market-based value of the securities in a fund's underlying portfolio.

**Inception Date.** The date on which the assets of a fund 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 generally measured from the inception date.

**Joint Committed Credit Facility.** The Fund participates, along with other funds managed by Vanguard, in a committed credit facility provided by a syndicate of lenders pursuant to a credit agreement that may be renewed annually; each Vanguard fund is individually liable for its borrowings, if any, under the credit facility. The amount and terms of the committed credit facility are subject to approval by the Fund's board of trustees and renegotiation with the lender syndicate on an annual basis.

**Money Market Instruments.** Short-term, liquid investments (usually with a maturity of 397 days or less) that include U.S. Treasury bills and notes, bank certificates of deposit (CDs), repurchase agreements, commercial paper, and banker's acceptances.

**Mutual Fund.** An investment company that pools the money of many people and invests it in a variety of securities in an effort to achieve a specific objective over time.

**New York Stock Exchange (NYSE).** A stock exchange based in New York City that is open for regular trading on business days, Monday through Friday, from 9:30 a.m. to 4 p.m., Eastern time. Net asset values (NAVs) are calculated each business day as of the close of regular trading on the NYSE.

**Principal.** The face value of a debt instrument or the amount of money put into an investment.

**Securities.** Stocks, bonds, money market instruments, and other investments.



**Stable Net Asset Value (NAV).** A share price that maintains a consistent value (e.g., \$1.00 or \$100.00) using special pricing and valuation conventions.

**Total Return.** A percentage change, over a specified time period, in a mutual fund's net asset value, assuming the reinvestment of all distributions of dividends and capital gains.

**Volatility.** The fluctuations in value of a mutual fund or other security. The greater a fund's volatility, the wider the fluctuations in its returns.

**Yield.** Income (interest or dividends) earned by an investment, expressed as a percentage of the investment's price.

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**Connect with Vanguard**<sup>®</sup> > [vanguard.com](http://vanguard.com)

#### **For More Information**

If you would like more information about Vanguard Market Liquidity Fund, the following documents are available free upon request:

#### **Annual/Semiannual Reports to Shareholders**

Additional information about the Fund's investments is available in the Fund's annual and semiannual reports to shareholders. In the annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year.

#### **Statement of Additional Information (SAI)**

The SAI provides more detailed information about the Fund and is incorporated by reference into (and thus legally a part of) this prospectus.

To receive a free copy of the latest annual or semiannual report or the SAI, or to request additional information about the Fund or other Vanguard funds, please visit [vanguard.com](http://vanguard.com) or contact us as follows:

*If you are an individual investor:*

The Vanguard Group  
Investor Information Department  
P.O. Box 2900  
Valley Forge, PA 19482-2900  
Telephone: 800-662-7447; Text telephone for people with hearing impairment: 800-749-7273

*If you are a client of Vanguard's Institutional Division:*

The Vanguard Group  
Institutional Investor Information Department  
P.O. Box 2900  
Valley Forge, PA 19482-2900  
Telephone: 888-809-8102; Text telephone for people with hearing impairment: 800-749-7273

If you are a current Vanguard shareholder and would like information about your account, account transactions, and/or account statements, please call:

Client Services Department  
Telephone: 800-662-2739; Text telephone for people with hearing impairment: 800-749-7273

#### **Information Provided by the Securities and Exchange Commission (SEC)**

You can review and copy information about the Fund (including the SAI) at the SEC's Public Reference Room in Washington, DC. To find out more about this public service, call the SEC at 202-551-8090. Reports and other information about the Fund are also available in the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov), or you can receive copies of this information, for a fee, by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-1520.

Fund's Investment Company Act file number: 811-21478

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