

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

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### FILER

#### VANGUARD INDEX TRUST

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Business Address  
1300 MORRIS DR  
P O BOX 2600  
VALLEY FORGE PA 19482  
2156691000

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THE VANGUARD GROUP  
OF INVESTMENT  
COMPANIES  
Vanguard Financial Center  
P.O. Box 2600  
Valley Forge, PA 19482

INVESTOR INFORMATION  
DEPARTMENT:  
1-800-662-7447 (SHIP)

CLIENT SERVICES  
DEPARTMENT:  
1-800-662-2739 (CREW)

TELE-ACCOUNT  
FOR 24-HOUR ACCESS:  
1-800-662-6273 (ON BOARD)

TELECOMMUNICATION SERVICE  
FOR THE HEARING-IMPAIRED:  
1-800-662-2738

TRANSFER AGENT:  
The Vanguard Group, Inc.  
Vanguard Financial Center  
Valley Forge, PA 19482

P R O S P E C T U S  
JANUARY 28, 1994

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A Member of The Vanguard Group  
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PROSPECTUS--JANUARY 28, 1994

NEW ACCOUNT INFORMATION: INVESTOR INFORMATION DEPARTMENT--1-800-662-7447  
(SHIP)

SHAREHOLDER ACCOUNT SERVICES: CLIENT SERVICES DEPARTMENT--1-800-662-2739  
(CREW)

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INVESTMENT  
OBJECTIVE AND  
POLICIES

Vanguard Index Trust (the "Trust") is an open-end diversified investment company designed as an "index" fund. THE TRUST CONSISTS OF SIX PORTFOLIOS: THE 500, EXTENDED MARKET, TOTAL STOCK MARKET, SMALL CAPITALIZATION STOCK, VALUE AND GROWTH PORTFOLIOS. Each of the Portfolios invests in common stocks in order to match the investment performance of a distinct market index.

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OPENING AN ACCOUNT

To open a regular (non-retirement) account, please complete and return the Account Registration Form. If you need assistance in completing this Form, please call our Investor Information Department. The minimum initial investment is \$3,000 for each Portfolio (\$500 for Individual Retirement Accounts and Uniform Gifts/Transfers to Minors Act accounts). To open an Individual Retirement Account (IRA), please use a Vanguard IRA Adoption Agreement. To obtain a copy of this form, call 1-800-662-7447, Monday through Friday, from 8:00 a.m. to 8:00 p.m. (Eastern time). A portfolio transaction fee of 1% is deducted from purchases of the Extended Market and Small Capitalization Stock Portfolios; a 0.25% portfolio transaction fee is deducted from purchases of the Total Stock Market Portfolio. Portfolio transaction fees are paid to the Portfolios to offset transaction costs of buying securities of small- and medium-sized companies. Shareholders in each Portfolio will also incur a \$10 annual account maintenance fee, deducted from the Portfolio's dividend. See "Trust Expenses."

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ABOUT THIS PROSPECTUS

This Prospectus is designed to set forth concisely the information you should know about the Trust before you invest. It should be retained for future reference. A "Statement of Additional Information" containing additional information about the Trust has been filed with the

Securities and Exchange Commission. This Statement is dated January 28, 1994 and has been incorporated by reference into this Prospectus. A copy may be obtained without charge by writing to the Trust or by calling the Investor Information Department.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

HIGHLIGHTS

OBJECTIVE AND POLICIES

The Trust is an open-end diversified investment company designed as an "index" fund. Shares of the Trust are offered on a no-load basis, although the Trust incurs certain distribution expenses. The Trust consists of six separate Portfolios, each of which invests in common stocks in order to match the performance of a selected market index. There is no assurance, however, that the Trust will achieve its stated objective. Page 10

SIX SEPARATE PORTFOLIOS

Investors may choose to invest in any of six Portfolios of the Trust:

500 PORTFOLIO--seeks to match the investment performance of the Standard & Poor's 500 Composite Stock Price Index, an index emphasizing large-capitalization stocks.

EXTENDED MARKET PORTFOLIO--seeks to match the investment performance of the Wilshire 4500 Index, an index consisting of medium- and small-capitalization stocks.

TOTAL STOCK MARKET PORTFOLIO--seeks to match the investment performance of the Wilshire 5000 Index, an index consisting of all regularly and publicly traded U.S. stocks.

SMALL CAPITALIZATION STOCK PORTFOLIO--seeks to match the investment performance of the Russell 2000 Small Stock Index, an index consisting of 2000 small capitalization common stocks.

VALUE PORTFOLIO--seeks to match the investment performance of the S&P/BARRA Value Index, an index consisting of stocks selected from the Standard & Poor's 500 Index with lower than average ratios of market price to book value.

GROWTH PORTFOLIO--seeks to match the investment performance of the S&P/BARRA Growth Index, an index consisting of stocks selected from the Standard & Poor's 500 Index with higher than average ratios of market price to book value. Page 12

RISK CHARACTERISTICS

As mutual funds investing in common stocks, all six Portfolios of the Trust are subject to market risk, which is the possibility that common stock prices will decline, sometimes substantially, over short or extended periods. Due to differences in the securities they hold, the six Portfolios may exhibit varying levels of volatility. Page 13

THE VANGUARD GROUP

The Trust is a member of The Vanguard Group of Investment Companies, a group of 32 investment companies with 77 distinct investment portfolios and total assets in excess of

\$120 billion. The Vanguard Group, Inc. ("Vanguard"), a subsidiary jointly owned by the Vanguard Funds, provides all corporate management, administrative, distribution and shareholder accounting services on an at-cost basis to the Funds in the Group. Page 21

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INVESTMENT ADVISER

The Trust receives investment advisory services on an at-cost basis from Vanguard's Core Management Group. As a result, the Trust receives its investment advisory services at a substantially lower cost than would be possible if the Trust paid an investment advisory fee to an external investment adviser. Page 22

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FEEES AND EXPENSES

A portfolio transaction fee of 1% is deducted from purchases of the Extended Market and Small Capitalization Stock Portfolios; a 0.25% portfolio transaction fee is deducted from purchases of the Total Stock Market Portfolio. Portfolio transaction fees are paid to the Portfolios to offset transaction costs of buying securities of small- and medium-sized companies. Shareholders in each Portfolio will also incur a \$10 annual account maintenance fee deducted from the Portfolio's dividend. Page 4

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DIVIDEND POLICY

The Trust distributes substantially all of its net investment income in the form of dividends. The 500, Total Stock Market, Value and Growth Portfolios distribute dividends quarterly, whereas the Extended Market and Small Capitalization Stock Portfolios distribute dividends annually. In all six Portfolios, net capital gains, if any, are distributed annually. Page 24

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TAXES

A sale of shares of a Portfolio is a taxable event and may result in a capital gain or loss. Dividend distributions, capital gains distributions, and capital gains or losses from redemptions and exchanges may be subject to federal, state and local taxes. Page 24

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PURCHASING SHARES

You may purchase shares by mail, wire or written exchange from another Vanguard Fund. The minimum initial investment is \$3,000 per Portfolio (\$500 for Individual Retirement Accounts and Uniform Gifts/Transfers to Minors Act accounts); the minimum for subsequent investments is \$100. There are no sales commissions or 12b-1 fees. Telephone exchanges from other Vanguard Funds are not permitted. Page 27

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SELLING SHARES

You may redeem shares of each Portfolio in writing or by telephone; however, telephone exchanges into other Vanguard Funds are not permitted. The share price of each Portfolio is expected to fluctuate, and may at redemption be more or less than at the time of initial purchase, resulting in a gain or loss. Page 31

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OTHER VANGUARD SERVICES

The Trust offers two special services: Fund Express, for electronic transfers between the Fund and your bank account; and Tele-Account, for round-the-clock telephone access to your Fund account. Page 34

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SPECIAL CONSIDERATIONS

- (1) Each Portfolio may invest a portion of its assets in futures contracts and options. Page 19
- (2) Each Portfolio may invest in short-term fixed income securities. Page 19
- (3) Each Portfolio may lend its securities. Page 20
- (4) Each Portfolio may borrow money. Page 20

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TRUST EXPENSES

The following table illustrates ALL expenses and fees that you would incur as a shareholder of the Trust. The expenses and fees for the 500 and Extended Market Portfolios are based on the year ended December 31, 1992. The fees and expenses for the Small Capitalization Stock Portfolio are based on the year ended September 30, 1993. Because the Total Stock

Market, Value and Growth Portfolios began operations during the 1992 fiscal year, the expense and fees set forth below are estimates for the Portfolios' first full year of operations.

<TABLE>  
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	500 PORTFOLIO	EXTENDED MARKET PORTFOLIO	TOTAL STOCK MARKET PORTFOLIO	VALUE PORTFOLIO	GROWTH PORTFOLIO	SMALL CAPITALIZATION STOCK PORTFOLIO***
Sales Load Imposed on Purchases.....	None	None*	None**	None	None	None*
Sales Load Imposed on Reinvested Dividends.....	None	None	None	None	None	None
Redemption Fees+...	None	None	None	None	None	None
Exchange Fees.....	None	None	None	None	None	None

<FN>

\*Shareholders are charged a 1% portfolio transaction fee, payable directly to the Portfolio, on each purchase of shares.

\*\*Shareholders are charged a 0.25% portfolio transaction fee, payable directly to the Portfolio, on each purchase of shares.

\*\*\*Formerly Vanguard Small Capitalization Stock Fund, Inc.

+Wire redemptions under \$5,000 are subject to a \$5 fee.

</TABLE>  
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ANNUAL FUND OPERATING EXPENSES	500 PORTFOLIO	EXTENDED MARKET PORTFOLIO	TOTAL STOCK MARKET PORTFOLIO	VALUE PORTFOLIO	GROWTH PORTFOLIO	SMALL CAPITALIZATION STOCK PORTFOLIO***
Management & Administrative.....	0.15%	0.13%	0.15%	0.14%	0.14%	0.13%
Investment Advisory Fees.....	None	None	None	None	None	None
12b-1 Fees.....	None	None	None	None	None	None
Other Expenses						
Distribution Costs..	0.03	0.03	0.03	0.03	0.03	0.02
Miscellaneous Expenses.....	0.01	0.04	0.03	0.03	0.03	0.03
-----	----	----	----	----	----	----
Total Other Expenses..	0.04	0.07	0.06	0.06	0.06	0.05
-----	----	----	----	----	----	----
TOTAL OPERATING EXPENSES.....	0.19%	0.20%	0.21%	0.20%	0.20%	0.18%
=====	====	====	====	====	====	====

<FN>

\*\*\*Formerly Vanguard Small Capitalization Stock Fund, Inc.

++In addition to these costs, each Portfolio assesses an annual account maintenance fee of \$10.

</TABLE>

The purpose of this table is to assist you in understanding the various costs and expenses that you would bear directly or indirectly as an investor in the Trust.

THREE PORTFOLIOS ASSESS TRANSACTION FEES

The Extended Market and Small Capitalization Stock Portfolios assess a portfolio transaction fee on purchases of Portfolio shares equal to 1% of the dollar amount invested; the Total Stock Market Portfolio assesses a portfolio transaction fee equal to 0.25% of the dollar amount invested. The portfolio transaction fees are paid to the respective Portfolio, not to Vanguard. They are not sales charges.

These fees apply to initial investments in the Extended Market, Small Capitalization Stock and Total Stock Market Portfolios and all subsequent purchases (including purchases made by exchange from another Vanguard Fund or from the other Portfolios of the Trust), but not to reinvested dividend or capital gains distributions. Portfolio transaction fees are deducted automatically from the amount invested; they cannot be paid separately.

The purpose of these transaction fees is to allocate transaction costs associated with new purchases to investors making those purchases, thus insulating existing shareholders from those transaction costs. These costs include: (1) brokerage costs; (2) market impact costs--i.e., the increase

in market prices which may result when the Portfolio purchases thinly traded stocks; and, most importantly, (3) the effect of the "bid-ask" spread in the over-the-counter market. (Securities in the over-the-counter market are bought at the "ask" or purchase price, but are valued in the Portfolio at the mean of the "bid," or sale, and "ask" prices.)

The 1% and 0.25% fees represent Vanguard's estimate of the brokerage and other transaction costs incurred by the Extended Market, Small Capitalization Stock and Total Stock Market Portfolios in acquiring stocks of mid-sized and small capitalization companies. Without the fees, the three Portfolios, which incur these costs directly, would experience reduced investment performance for all shareholders in each Portfolio. With the fees, the transaction costs of acquiring additional stocks are borne not by all existing shareholders, but by those investors making additional purchases. Because the purchaser, not the Portfolios, bears these costs, the Portfolios are expected to track their respective benchmark indexes more closely.

EACH PORTFOLIO CHARGES A \$10 ACCOUNT MAINTENANCE FEE

Each Portfolio assesses an annual account maintenance fee of \$10 to allocate part of the fixed costs of maintaining shareholder accounts equally to all accounts. This fee is deducted from each Portfolio's dividend at a rate of \$2.50 per quarter for accounts in the 500, Total Stock Market, Value and Growth Portfolios, and \$10 per year for accounts in the Extended Market and Small Capitalization Stock Portfolios. See "Dividends, Capital Gains and Taxes" for more information on this fee. The \$10 fee amounts to 0.33% on a \$3,000 investment in a Portfolio of the Trust, 0.10% on a \$10,000 investment, and 0.01% on a \$100,000 investment.

The following example illustrates the expenses that you would incur on a \$1,000 investment over various time periods, assuming (1) a 5% annual rate of return and (2) redemption at the end of each period. The example includes the \$10 account maintenance fee for each Portfolio; the 1% portfolio transaction fee for the Extended Market and Small Capitalization Stock Portfolios; and the 0.25% transaction fee for the Total Stock Market Portfolio. As noted in the table on the previous page, the Trust charges no redemption fees of any kind.

<TABLE>  
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	1 YEAR	3 YEARS	5 YEARS	10 YEARS
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
500 Portfolio.....	\$12	\$36	\$60	\$123
Extended Market Portfolio.....	\$22	\$46	\$71	\$134
Total Stock Market Portfolio.....	\$15	\$39	\$64	\$128
Value Portfolio.....	\$12	\$36	\$61	\$124
Growth Portfolio.....	\$12	\$36	\$61	\$124
Small Capitalization Stock Portfolio.....	\$22	\$46	\$70	\$132

</TABLE>

Included in these estimates are account maintenance fees of \$10, \$30, \$50 and \$100 for the respective periods shown. The \$10 account maintenance fee is a flat charge which does not vary by the size of your investment. Accordingly, for investments larger than \$1,000, your total expenses will be substantially lower in percentage terms than this illustration implies.

THIS EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES MAY BE HIGHER OR LOWER THAN THOSE SHOWN.

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FINANCIAL HIGHLIGHTS

The following financial highlights information for a share outstanding throughout each period, insofar as they relate to each of the five years in the period ended December 31, 1992, (September 30, 1993 with respect to the Small Capitalization Stock Portfolio) have been audited by Price Waterhouse, independent accountants, whose reports thereon were unqualified. This financial information should be read in conjunction with the Trust's financial statements and notes thereto, which are incorporated by reference in the Statement of Additional Information and in this Prospectus, and which appear, along with the reports of Price Waterhouse, in the Trust's 1992 Annual Report to Shareholders and inserts

thereto. The financial highlights for the Small Capitalization Stock Portfolio, formerly Vanguard Small Capitalization Stock Fund, Inc. (the "Small Cap Fund") should be read in conjunction with the Small Cap Fund's above-referenced financial statements which are incorporated by reference in the Statement of Additional Information and in this Prospectus, and which appear, along with the report of Price Waterhouse, in the Small Cap Fund's 1992 Annual Report to Shareholders, which may be obtained free of charge by writing to the Trust or calling our Investor Information Department.

The financial highlights for the six months ended June 30, 1993 (September 30, 1993 with respect to the Small Cap Fund) is unaudited. This unaudited information should be read in conjunction with the Trust's & Small Cap Fund's financial statements and notes thereto, which are also incorporated by reference in the Statement of Additional Information and in this Prospectus, and in their respective Semi-Annual Reports to Shareholders.

<TABLE>  
<CAPTION>

500 PORTFOLIO												
	SIX MONTHS ENDED		YEAR ENDED DECEMBER 31,									
	JUNE 30, 1993**		1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$40.97	\$39.32	\$31.24	\$33.64	\$27.18	\$24.65	\$24.27	\$22.99	\$19.52	\$19.70	\$17.56	
INVESTMENT OPERATIONS												
Net Investment Income.....	.57	1.12	1.15	1.17	1.20	1.08	.88	.89	.91	.88	.87	
Net Realized and Unrealized Gain (Loss) on Investments.....	1.38	1.75	8.20	(2.30)	7.21	2.87	.36	3.30	5.08	.30	2.85	
TOTAL FROM INVESTMENT OPERATIONS	1.95	2.87	9.35	(1.13)	8.41	3.95	1.24	4.19	5.99	1.18	3.72	
DISTRIBUTIONS												
Dividends from Net Investment Income.....	(.44)	(1.12)	(1.15)	(1.17)	(1.20)	(1.10)	(.69)	(.89)	(.91)	(.88)	(.87)	
Distributions from Realized Capital Gains.....	(.03)	(.10)	(.12)	(.10)	(.75)	(.32)	(.17)	(2.02)	(1.61)	(.48)	(.71)	
TOTAL DISTRIBUTIONS.....	(.47)	(1.22)	(1.27)	(1.27)	(1.95)	(1.42)	(.86)	(2.91)	(2.52)	(1.36)	(1.58)	
NET ASSET VALUE, END OF PERIOD.....	\$42.45	\$40.97	\$39.32	\$31.24	\$33.64	\$27.18	\$24.65	\$24.27	\$22.99	\$19.52	\$19.70	
TOTAL RETURN***.....	4.78%	7.42%	30.22%	(3.32)%	31.36%	16.22%	4.71%	18.06%	31.23%	6.21%	21.29%	
RATIOS/SUPPLEMENTAL DATA												
Net Assets, End of Period (Millions).....	\$7,533	\$6,547	\$4,345	\$2,173	\$1,804	\$1,055	\$826	\$485	\$394	\$290	\$234	
Ratio of Expenses to Average Net Assets.....	.19%*	.19%	.20%	.22%	.21%	.22%	.26%	.28%	.28%	.27%	.28%	
Ratio of Net Investment Income to Average Net Assets.....	2.74%*	2.81%	3.07%	3.60%	3.62%	4.08%	3.15%	3.40%	4.09%	4.53%	4.22%	
Portfolio Turnover Rate.....	9%+	4%+	5%+	23%+	8%	10%	15%	29%	36%	14%	35%	

<FN>  
\*Annualized.  
\*\*Unaudited.  
\*\*\*Total return figures do not reflect the annual account maintenance fee of \$10 or applicable portfolio transaction fees.  
+Portfolio turn over rates excluding in-kind redemptions were 1%, 1%, 1% and 6%, respectively.

</TABLE>  
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EXTENDED MARKET PORTFOLIO							
	SIX MONTHS ENDED		YEAR ENDED DECEMBER 31,				
	JUNE 30, 1993**		1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
NET ASSET VALUE, BEGINNING OF PERIOD.....		\$17.35	\$15.82	\$11.48	\$13.92	\$11.60	\$ 9.99
INVESTMENT OPERATIONS							

Net Investment Income.....	.14	.24	.25	.30	.26	.34
Net Realized and Unrealized Gain (Loss) on Investments.....	.80	1.72	4.54	(2.25)	2.52	1.63
TOTAL FROM INVESTMENT OPERATIONS.....	.94	1.96	4.79	(1.95)	2.78	1.97
DISTRIBUTIONS						
Dividends from Net Investment Income.....	--	(.25)	(.25)	(.33)	(.23)	(.20)
Distributions from Realized Capital Gain.....	(.01)	(.18)	(.20)	(.16)	(.23)	(.16)
TOTAL DISTRIBUTIONS.....	(.01)	(.43)	(.45)	(.49)	(.46)	(.36)
NET ASSET VALUE, END OF PERIOD.....	\$18.28	\$17.35	\$15.82	\$11.48	\$13.92	\$11.60
TOTAL RETURN***.....	5.42%	12.47%	41.85%	(14.05)%	24.10%	19.75%
RATIOS/SUPPLEMENTAL DATA						
Net Assets, End of Period (Millions).....	\$668	\$585	\$372	\$179	\$147	\$35
Ratio of Expenses to Average Net Assets.....	.19%*	.20%	.19%	.23%	.23%	.24%
Ratio of Net Investment Income to Average Net Assets.....	1.61%*	1.73%	2.14%	2.68%	2.92%	2.90%
Portfolio Turnover Rate.....	15%	9%	11%	9%	14%	26%

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 DEC. 21,+  
 TO 31, 1987

NET ASSET VALUE, BEGINNING OF PERIOD.....	\$10.00
INVESTMENT OPERATIONS	
Net Investment Income.....	.03
Net Realized and Unrealized Gain (Loss) on Investments.....	(.04)
TOTAL FROM INVESTMENT OPERATIONS.....	(.01)
DISTRIBUTIONS	
Dividends from Net Investment Income.....	--
Distributions from Realized Capital Gain.....	--
TOTAL DISTRIBUTIONS.....	--
NET ASSET VALUE, END OF PERIOD.....	\$ 9.99
TOTAL RETURN***.....	(0.10)%
RATIOS/SUPPLEMENTAL DATA	
Net Assets, End of Period (Millions).....	\$5
Ratio of Expenses to Average Net Assets.....	0%
Ratio of Net Investment Income to Average Net Assets.....	0%
Portfolio Turnover Rate.....	3%

\*Annualized.

\*\*Unaudited.

\*\*\*Total return figures do not reflect the annual account maintenance fee of \$10 or applicable portfolio transaction fees.

+Commencement of Operations.

<TABLE>  
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	TOTAL STOCK MARKET PORTFOLIO		GROWTH PORTFOLIO	
	SIX MONTHS ENDED JUNE 30, 1993**	APRIL 27, 1992,+ TO DEC. 31, 1992	SIX MONTHS ENDED JUNE 30, 1993**	NOV. 2, 1992,++ TO DEC. 31, 1992
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$10.84	\$10.00	\$10.26	\$10.00
INVESTMENT OPERATIONS				
Net Investment Income.....	.13	.23	.11	.06
Net Realized and Unrealized Gain (Loss) on Investments	.38	.84	(.38)	.26
TOTAL FROM INVESTMENT OPERATIONS.....	.51	1.07	(.27)	.32



DISTRIBUTIONS				
Dividends from Net Investment Income.....	(.12)	(.23)	(.10)	(.06)
Distributions from Realized Capital Gain.....	(.01)	--	--	--
TOTAL DISTRIBUTIONS.....	(.13)	(.23)	(.10)	(.06)
-----				
NET ASSET VALUE, END OF PERIOD.....	\$11.22	\$10.84	\$ 9.89	\$10.26
=====				
TOTAL RETURN***.....	4.73%	10.41%	(2.63)%	3.19%
=====				
RATIOS/SUPPLEMENTAL DATA				
Net Assets, End of Period (Millions).....	\$441	\$275	\$45	\$21
Ratio of Expenses to Average Net Assets.....	.20%*	.21%*	.21%*	0%
Ratio of Net Investment Income to Average Net Assets.....	2.41%*	2.42%*	2.19%*	2.85%*
Portfolio Turnover Rate.....	1%	3%	41%	2%

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VALUE PORTFOLIO

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SIX MONTHS ENDED NOV. 2, 1992+  
JUNE 30, 1993\*\* TO DEC. 31, 1992

NET ASSET VALUE, BEGINNING OF PERIOD.....	\$10.30	\$10.00
INVESTMENT OPERATIONS		
Net Investment Income.....	.19	.07
Net Realized and Unrealized Gain (Loss) on Investments	1.06	.30
TOTAL FROM INVESTMENT OPERATIONS.....	1.25	.37
-----		
DISTRIBUTIONS		
Dividends from Net Investment Income.....	(.14)	(.07)
Distributions from Realized Capital Gain.....	--	--
TOTAL DISTRIBUTIONS.....	(.14)	(.07)
-----		
NET ASSET VALUE, END OF PERIOD.....	\$11.41	\$10.30
=====		
TOTAL RETURN***.....	12.17%	3.70%
=====		
RATIOS/SUPPLEMENTAL DATA		
Net Assets, End of Period (Millions).....	\$118	\$24
Ratio of Expenses to Average Net Assets.....	.20%*	0%
Ratio of Net Investment Income to Average Net Assets.....	3.48%*	3.46%*
Portfolio Turnover Rate.....	34%	4%

\*Annualized.  
\*\*Unaudited.

\*\*\*Total return figures do not reflect the annual account maintenance fee of \$10 or applicable portfolio transaction fees.  
+Commencement of Operations, excludes subscription period from March 16, 1992 to April 27, 1992.  
++Commencement of Operations.

<TABLE>  
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SMALL CAPITALIZATION STOCK PORTFOLIO\*\*\*

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YEAR ENDED SEPTEMBER 30,

	1993	1992	1991	1990 (1)	1989+	1988	1987	1986	1985	1984	1983
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

NET ASSET VALUE, BEGINNING OF YEAR.	\$12.63	\$12.03	\$ 8.55	\$11.88	\$11.96	\$15.73	\$13.24	\$11.68	\$13.15	\$19.77	\$12.50
INVESTMENT OPERATIONS											
Net Investment Income (Loss).....	.20	.19	.20	.17	.10	.03	(.04)	(.01)	(.04)	.14	(.08)
Net Realized and Unrealized Gain (Loss) on Investments.....	3.73	.88	3.60	(3.46)	2.13	(2.59)	4.42	1.57	(.51)	(4.25)	8.57
TOTAL FROM INVESTMENT OPERATIONS.	3.93	1.07	3.80	(3.29)	2.23	(2.56)	4.38	1.56	(.55)	(4.11)	8.49
DISTRIBUTIONS											
Dividends from Net Investment Income.....	(.18)	(.18)	(.18)	(.04)	(.14)	--	--	--	(.15)	--	(.30)
Distributions from Realized Capital Gains.....	(.15)	(.29)	(.14)	--	(2.17)	(1.21)	(1.89)	--	(.77)	(2.51)	(.92)
TOTAL DISTRIBUTIONS.....	(.33)	(.47)	(.32)	(.04)	(2.31)	(1.21)	(1.89)	--	(.92)	(2.51)	(1.22)
NET ASSET VALUE, END OF YEAR.....	\$16.23	\$12.63	\$12.03	\$ 8.55	\$11.88	\$11.96	\$15.73	\$13.24	\$11.68	\$13.15	\$19.77
TOTAL RETURN++.....	31.60%	9.34%	45.91%	(27.73)%	18.83%	(14.30)%	38.02%	13.33%	(3.67)%	(22.89)%	70.44%
RATIOS/SUPPLEMENTAL DATA											
Net Assets, End of Year (Millions).	\$432	\$202	\$111	\$40	\$20	\$27	\$35	\$31	\$32	\$37	N/A
Ratio of Expenses to Average Net Assets.....	.18%*	.18%	.21%	.31%	1.00%	.95%	.92%	.92%	1.00%	1.05%	1.41%
Ratio of Net Investment Income (Loss) to Average Net Assets.....	1.47%*	1.65%	2.11%	1.91%	.65%	.24%	(.25%)	(.06%)	(.28%)	1.11%	(.54%)
Portfolio Turnover Rate.....	26%*	26%	33%	40%	160%	68%	92%	92%	103%	100%	83%

<FN>

(1) Adjusted to reflect a 3-for-1 stock split as of February 3, 1990.

\*Annualized.

\*\*Unaudited.

\*\*\*Formerly Vanguard Small Capitalization Stock Fund, Inc. (the "Fund").

+Prior to September 11, 1989, Schroeder Capital Management International provided investment advisory services to the Fund. Effective September 11, 1989, The Vanguard Group, Inc. began providing investment advisory services to the Fund on an at-cost basis.

++Total return figures do not reflect the annual account maintenance fees of \$10 or applicable portfolio transaction fees.

</TABLE>

#### YIELD AND TOTAL RETURN

From time-to-time a Portfolio of the Trust may advertise its yield and total return. Both yield and total return figures are based on historical earnings and are not intended to indicate future performance. The "total return" of a Portfolio refers to the average annual compounded rates of return over one-, five- and ten-year periods or for the life of the Portfolio (as stated in the advertisement) that would equate an initial amount invested at the beginning of a stated period to the ending redeemable value of the investment, assuming the reinvestment of all dividend and capital gains distributions.

The "30-day yield" of a Portfolio is calculated by dividing the net investment income per share earned during a 30-day period by the net asset value per share on the last day of the period. Net investment income includes interest and dividend income earned on a Portfolio's securities; it is net of all expenses and all recurring and nonrecurring charges that have been applied to all shareholder accounts. The yield calculation assumes that net investment income earned over 30 days is compounded monthly for six months and then annualized. Methods used to calculate advertised yields are standardized for all stock and bond mutual funds. However, these methods differ from the accounting methods used by a Portfolio to maintain its books and records, and so the advertised 30-day yield may not fully reflect the income paid to your own account or the yield reported in a Portfolio's reports to shareholders.

Additionally, the Portfolios may compare their performance to that of their comparative indexes. The target benchmarks include the Standard & Poor's 500 Composite Stock Price Index, the Wilshire 4500 Index, the Wilshire 5000 Index, the Russell 2000 Small Stock Index, the S&P/BARRA Value Index and the S&P/BARRA Growth Index.

INVESTMENT  
OBJECTIVES  
EACH PORTFOLIO SEEKS TO MATCH THE INVESTMENT PERFORMANCE OF ITS RESPECTIVE  
INDEX

The Trust is an open-end diversified investment company designed as an "index" fund. The Trust consists of six Portfolios, each of which seeks to provide investment results that correspond to a particular stock market index. The correlation between the performance of each of the Trust's Portfolio's and the respective index that each Portfolio attempts to match is expected to be at least 0.95. The 500, Extended Market, Total Stock Market and Small Capitalization Stock Portfolios attempt to replicate the investment performance of broad market indexes, while the Value and Growth Portfolios attempt to replicate indexes which possess certain "value" and "growth" investment characteristics.

The pie chart below illustrates how, as measured by market capitalization, the Standard & Poor's 500 Index, the Wilshire 4500 Index and the Russell 2000 Index cover the entire U.S. equity market, as represented by the Wilshire 5000 Index:

- \* The 500 PORTFOLIO seeks to replicate the aggregate price and yield performance of the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index"), an index which emphasizes large-capitalization companies.
- \* The EXTENDED MARKET PORTFOLIO seeks to replicate the aggregate price and yield performance of the Wilshire 4500 Index, an index which consists of more than 5,000 medium- and small-capitalization companies that are not included in the S&P 500 Index.
- \* The TOTAL STOCK MARKET PORTFOLIO seeks to replicate the aggregate price and yield performance of the Wilshire 5000 Index, an index which consists of all U.S. stocks that trade on a regular basis on either the New York or American Stock Exchange or the NASDAQ over-the-counter market. These stocks include the large-capitalization companies of the S&P 500 Index, with the exception of Royal Dutch and Unilever, N.V., which trade on the New York Stock Exchange as ADR's, as well as the medium- and small-capitalization companies of the Wilshire 4500 Index.
  - \* The SMALL CAPITALIZATION STOCK PORTFOLIO seeks to replicate the aggregate price and yield performance of the Russell 2000 Small Stock Index (the "Russell 2000"), a broadly diversified small capitalization index consisting of approximately 2,000 common stocks.

The pie chart below illustrates how, as measured by market capitalization, the S&P 500 Index is divided into the S&P/BARRA Value and S&P/BARRA Growth Indexes.

- \* The VALUE PORTFOLIO seeks to replicate the aggregate price and yield performance of the S&P/BARRA Value Index, an index which includes stocks in the S&P 500 Index with lower than average ratios of market price to book value. These types of stocks are often referred to as "value" stocks.
- \* The GROWTH PORTFOLIO seeks to replicate the aggregate price and yield performance of the S&P/BARRA Growth Index, an index which includes stocks in the S&P 500 Index with higher than average ratios of market price to book value. These types of stocks are often referred to as "growth" stocks.

There is no assurance that the Portfolios will achieve their stated objectives.

These investment objectives are fundamental and so cannot be changed without the approval of a majority of a Portfolio's shareholders.

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#### INVESTMENT POLICIES

##### ALL SIX PORTFOLIOS USE A "PASSIVE" APPROACH TO INVEST IN COMMON STOCKS

The six Portfolios of the Trust are not managed according to traditional methods of "active" investment management, which involve the buying and selling of securities based upon economic, financial and market analysis and investment judgment. Instead, the Portfolios, utilizing a "passive" or "indexing" investment approach, attempt to duplicate the investment performance of their respective indexes through statistical procedures. The Portfolios are managed without regard to tax ramifications.

The 500 PORTFOLIO invests in all 500 stocks in the S&P 500 Index in approximately the same proportions as they are represented in the Index.

The EXTENDED MARKET PORTFOLIO invests in a statistically selected sample of the more than 5,000 stocks included in the Wilshire 4500 Index. Typically, the Portfolio invests in 1,200 to 1,500 stocks. Stocks are selected for inclusion in the Portfolio based primarily on market capitalization and industry weightings. The Portfolio is constructed to have aggregate investment characteristics similar to those of the Wilshire 4500 Index.

The TOTAL STOCK MARKET PORTFOLIO invests in a statistically selected sample of the more than 6,000 stocks included in the Wilshire 5000 Index. Typically, the Portfolio invests in approximately 1,000 stocks. Stocks are selected for inclusion in the Portfolio based primarily on market capitalization and industry weightings. The Portfolio is constructed to have aggregate investment characteristics similar to those of the Wilshire 5000 Index.

The SMALL CAPITALIZATION STOCK PORTFOLIO invests in a statistically selected sample of the approximately 2,000 stocks included in the Russell 2000 Index. Typically, the Portfolio invests in approximately 1,000 stocks. Stocks are selected for inclusion in the Portfolio based on their contribution to the Portfolio's market capitalization, industry weightings and other fundamental characteristics such as price-earnings ratios, dividend yields, price-to-book ratios and financial leverage. The stocks held by the Portfolio are weighted to make the Portfolio's aggregate investment characteristics similar to those of the Russell 2000 Index as a whole.

The VALUE PORTFOLIO invests in all of the common stocks included in the S&P/BARRA Value Index in approximately the same proportions as they are represented in the Index. As of December 31, 1993, the S&P/BARRA Value Index included 310 of the stocks that make up the S&P 500 Index, and 50% of the total market value of the Index.

The GROWTH PORTFOLIO invests in all of the common stocks included in the S&P/BARRA Growth Index in approximately the same proportions as they are represented in the Index. As of December 31, 1993, the S&P/BARRA Growth Index included 190 of the stocks that make up the S&P 500 Index, and 50% of the total market value of the Index.

ALL SIX PORTFOLIOS ATTEMPT TO REMAIN FULLY INVESTED

Each Portfolio attempts to remain fully invested in common stocks. Under normal circumstances each Portfolio will invest at least 95% of its assets in the common stocks of its respective index and futures contracts and options. Each Portfolio may invest in certain short-term fixed income securities as cash reserves, although cash or cash

equivalents are normally expected to represent less than 1% of each Portfolio's assets. Each Portfolio may also invest up to 20% of its assets in stock futures contracts and options in order to invest uncommitted cash balances, to maintain liquidity to meet shareholder redemptions, or to minimize trading costs. The Portfolios will not invest in cash reserves, futures contracts or options as part of a temporary defensive strategy, such as lowering a Portfolio's investment in common stocks to protect against potential stock market declines. The Portfolios intend to remain fully invested, to the extent practicable, in a pool of securities which will duplicate the investment characteristics of their respective indexes. See "Implementation of Policies" for a description of these and other investment practices of the Trust.

These investment policies are not fundamental and so may be changed by the Board of Trustees without shareholder approval.

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INVESTMENT  
RISKS

EACH PORTFOLIO IS SUBJECT TO MARKET RISK

As mutual funds investing primarily in common stocks, the Portfolios of the Trust are subject to market risk--i.e., the possibility that common stock prices will decline over short or even extended periods. The U.S. stock market tends to be cyclical, with periods when stock prices generally rise and periods when prices generally decline.

To illustrate the volatility of stock prices, the following table sets forth the extremes for stock market returns as well as the average return for the period from 1926 to 1993, as measured by the S&P 500 Composite Stock Price Index:

<TABLE>

<CAPTION>

U.S. STOCK MARKET RETURNS (1926-1993)  
OVER VARIOUS TIME HORIZONS

	1 YEAR -----	5 YEARS -----	10 YEARS -----	20 YEARS -----
<S>	<C>	<C>	<C>	<C>
Best	+53.9%	+23.9%	+20.1%	+16.9%
Worst	-43.3	-12.5	- 0.9	+ 3.1
Average	+12.3	+10.3	+10.6	+10.6

</TABLE>

As shown, from 1926 to 1993, common stocks, as measured by the S&P 500 Index, have provided an annual total return (capital appreciation plus dividend income), on average, of +12.3%. While this average return can be used as a guide for setting reasonable expectations for future stock market returns, it may not be useful for forecasting future returns in any particular period, as stock returns are quite volatile from year-to-year.

THE EXTENDED MARKET, TOTAL STOCK MARKET AND SMALL CAPITALIZATION STOCK PORTFOLIOS MAY EXHIBIT GREATER VOLATILITY

Historically, medium- and small-market capitalization stocks have been more volatile in price than the larger-capitalization stocks included in the S&P 500 Index. Among the reasons for the greater price volatility of these securities are the less certain growth prospects of smaller firms, the lower degree of liquidity in the markets for such stocks, and the greater sensitivity of small- and medium-size companies to changing economic conditions. Besides exhibiting greater volatility, medium and small company stocks may, to a degree, fluctuate independently of larger company stocks. Medium and small company stocks may decline in price as large

company stocks rise, or rise in price as large company stocks decline. Medium and small company stocks constitute the investments of the Extended Market Portfolio while the Small Capitalization Stock Portfolio is composed primarily of small company stocks. Investors in the Portfolios should therefore expect that the Extended Market and Small Capitalization Stock Portfolios will be more volatile than, and may fluctuate independently of, the 500 Portfolio.

Similarly, medium and small company stocks constituted approximately 33% of the net assets of the Total Stock Market Portfolio on December 31, 1993. Investors in the Portfolio should therefore anticipate somewhat greater price volatility in the Total Stock Market Portfolio relative to the 500 Portfolio.

THE VALUE AND GROWTH PORTFOLIOS MAY FLUCTUATE INDEPENDENTLY

Stocks that emphasize particular investment characteristics, such as "value" and "growth," may fluctuate divergently from the broad market as represented by the S&P 500 Index, and may also demonstrate greater volatility over short or extended periods relative to the broad market.

The S&P/BARRA Value Index maintains a lower price-to-book ratio and historically has had a higher yield than the S&P 500 Index, while the S&P/BARRA Growth Index maintains a higher price-to-book and historically has had a lower yield than the S&P 500 Index. Because of these investment characteristics, the S&P/BARRA Value Index has exhibited somewhat less short-term volatility than the S&P 500 Index, while the S&P/BARRA Growth Index has displayed somewhat greater short-term volatility than the S&P 500 Index from 1975 through 1992. However, as stated above, both Indexes may be more volatile than the S&P 500 Index over short or extended periods. The Indexes have been in existence since May, 1992. Historical performance data was generated by BARRA by constructing the S&P/BARRA Value and Growth Indexes from actual S&P 500 Index holdings.

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WHO SHOULD  
INVEST  
LONG-TERM INVESTORS SEEKING A "PASSIVE" APPROACH FOR INVESTING IN COMMON  
STOCKS

All six Portfolios of the Trust are designed for long-term investors seeking the advantages of a low-cost, "passive" approach for investing in a diversified portfolio of common stocks. Unlike other equity mutual funds, which generally seek to "beat" stock market averages with unpredictable results, all six Portfolios seek to "match" their respective indexes and thus are expected to provide a highly predictable return relative to their benchmarks.

Four Portfolios of the Trust provide a vehicle for investing in a broad market index:

- \* The 500 PORTFOLIO is designed for investors seeking to replicate the total return of the S&P 500 Index, an index emphasizing large capitalization common stocks.
- \* The EXTENDED MARKET PORTFOLIO is designed for investors seeking to replicate the total return of the Wilshire 4500 Index, an index consisting of small and medium capitalization companies.
- \* The TOTAL STOCK MARKET PORTFOLIO is designed for investors seeking to replicate the total return of the Wilshire 5000 Index, an index consisting of all U.S. stocks that trade on a regular basis on either the New York or American Stock Exchange or the NASDAQ over-the-counter market. The Total Stock Market Portfolio will therefore reflect the performance of the entire U.S. stock market.
- \* The SMALL CAPITALIZATION STOCK PORTFOLIO is designed for investors seeking to replicate the total return of the Russell 2000 Small Stock Index, an index consisting of approximately 2,000 small capitalization stocks.

Two Portfolios are designed for investors seeking to emphasize certain investment characteristics while continuing to utilize a "passive" investment approach:

- \* The VALUE PORTFOLIO is designed for investors seeking to replicate the total return of the S&P/BARRA Value Index, an index consisting of companies of the S&P 500 Index with lower than average market price to book value ratios. Such a "value-oriented" Portfolio may be appropriate for more conservative stock market investors who are seeking higher dividend income and somewhat below average stock market volatility.
- \* The GROWTH PORTFOLIO is designed for investors seeking to replicate the total return of the S&P/BARRA Growth Index, an index consisting of companies of the S&P 500 Index with higher than average market price to book value ratios. Such a "growth-oriented" Portfolio may be appropriate for investors who have little need for current dividend income and who can tolerate somewhat above average stock market volatility.

Taken together in appropriate proportions, the Value and Growth Portfolios are expected to approximate the total returns achieved by the 500 Portfolio.

The share price of each Portfolio is expected to be volatile, and investors should be able to tolerate sudden, sometimes substantial fluctuations in the value of their investment. No assurance can be given that the Portfolios will achieve their stated objectives or that shareholders will be protected from the risks inherent in equity investing. Investors may wish to purchase shares on a regular, periodic basis (dollar-cost averaging) rather than investing in one lump sum in order to reduce the risk of investing all their monies in common stocks at a particularly unfavorable time.

Because of the risks associated with common stock investments, the Trust is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculating on short-term stock market movements. Investors should not consider the Trust a complete investment program, but should maintain holdings of securities with different risk characteristics--including common stocks, bonds and money market instruments. Investors may also wish to complement an investment in the Trust with other types of common stock investments.

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IMPLEMENTATION  
OF POLICIES

Each Portfolio of the Trust utilizes a number of investment practices in an effort to match the investment performance of its respective index.

THE 500 PORTFOLIO INVESTS IN ALL 500 S&P STOCKS

The 500 Portfolio attempts to duplicate the investment results of the S&P 500 Index by holding all 500 stocks in approximately the same proportions as they are represented in the Index. This indexing technique is known as "complete replication."

The S&P 500 Index is composed of 500 common stocks, which are chosen by Standard & Poor's Corporation on a statistical basis to be included in the Index. The inclusion of a stock in the S&P 500 Index in no way implies that Standard & Poor's Corporation believes the stock to be an attractive investment. The 500 securities, most of which trade on the New York Stock Exchange, represented, as of December 31, 1993, approximately 67.4% of the market value of all U.S. common stocks. Each stock in the S&P 500 Index is weighted by its market value.

Because of the market-value weighting, the 50 largest companies in the S&P 500 Index currently account for approximately 50% of the Index. Typically, companies included in the S&P 500 Index are the largest and most dominant firms in their respective industries. As of December 31, 1993, the five largest companies in the Index were: General Electric (2.7%), Exxon Corporation (2.4%), AT&T (2.2%), Wal-Mart Stores (1.8%) and Coca Cola (1.7%). The largest industry categories were international oil companies (7.2%), telephone companies (6.0%), electric power (4.8%), electrical equipment (3.8%) and diversified health care companies (3.6%).

THE EXTENDED MARKET PORTFOLIO INVESTS IN MEDIUM AND SMALL COMPANY STOCKS

While the S&P 500 Index includes the preponderance of large market capitalization stocks, it excludes most of the medium and small companies which comprise the remaining 33% of the capitalization of the U.S. stock market. The Wilshire 4500 Index consists of all U.S. stocks that are not in the S&P 500 Index and that trade regularly on the New York and American Stock Exchanges as well as in the NASDAQ over-the-counter market. More than 5,000 stocks of mid-sized and small capitalization companies are included in the Wilshire 4500 Index.

The Extended Market Portfolio will be unable to hold all of the more than 5,000 issues which comprise the Wilshire 4500 Index because of the costs involved and the illiquidity of many of the securities. Instead, the Portfolio will hold a representative sample of the securities in the Wilshire 4500 Index.

THE TOTAL STOCK MARKET PORTFOLIO INVESTS IN A SAMPLE OF ALL U.S. STOCKS

Neither the S&P 500 Index nor the Wilshire 4500 Index independently represents the U.S. stock market as a whole. The Wilshire 5000 Index, which consists of all regularly and publicly traded U.S. stocks, provides a complete proxy for the U.S. stock market. More than 6,000 stocks, including large, medium, and small capitalization companies are included in the Wilshire 5000 Index.

The following table illustrates the changing proportions that the S&P 500 Index and the Wilshire 4500 Index have represented in the Wilshire 5000 Index since 1984.

<TABLE>  
<CAPTION>

WILSHIRE 5000 INDEX

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
S&P 500 Index.....	69%	69%	70%	71%	71%	73%	72%	75%	71%	67%
Wilshire 4500 Index.....	31%	31%	30%	29%	29%	27%	28%	25%	29%	33%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

</TABLE>

In an effort to replicate the investment performance of the Wilshire 5000 Index, the Total Stock Market Portfolio will invest in approximately 1,000 of the largest stocks in the index and an additional representative sample of the remaining stocks. As in the case for the Extended Market Portfolio, the high transaction costs and illiquidity of many

of the smaller stocks make complete replication of the Wilshire 4500 Index's holdings impractical.

The Extended Market and Total Stock Market Portfolios are not sponsored, endorsed, sold or promoted by Wilshire Associates. Wilshire(R) and Wilshire 5000(R) are registered service marks of Wilshire Associates.

#### THE SMALL CAPITALIZATION STOCK PORTFOLIO INVESTS IN SMALL COMPANY STOCKS

The Small Capitalization Stock Portfolio attempts to duplicate the investment results of the Russell 2000 Index by investing in approximately 1,000 of the 2,000 stocks in the Russell 2000 Index. The Russell 2000 Index is composed of approximately 2,000 small capitalization common stocks. A company's stock market capitalization is the total market value of its floating outstanding shares. As of September 30, 1993, the average stock market capitalization of the Russell 2000 was \$360 million. As in the case of the Extended Market Portfolio, the high transaction costs and illiquidity of many of the small stocks contained in the Russell 2000 Index make complete replication of the holdings impractical.

The Portfolio is neither sponsored by nor affiliated with the Frank Russell Company. Frank Russell's only relationship to the Portfolio is the licensing of the use of the Russell 2000 Small Stock Index. Frank Russell Company is the owner of the trademarks and copyrights relating to the Russell indexes.

#### THE EXTENDED MARKET, TOTAL STOCK MARKET AND SMALL CAPITALIZATION STOCK PORTFOLIOS USE SAMPLING TECHNIQUES

The stocks of the Wilshire 4500 Index to be included in the Extended Market Portfolio will be selected utilizing a statistical sampling technique known as "optimization." This process selects stocks for the Portfolio so that various industry weightings, market capitalizations and fundamental characteristics (e.g. price-to-book, price-to-earnings, debt-to-asset ratios, and dividend yields) closely approximate those of the appropriate Index. For instance, if 10% of the capitalization of the Wilshire 4500 Index consists of utility companies with relatively large stock market capitalizations, then the Extended Market Portfolio is constructed so that approximately 10% of the Portfolio's assets are invested in the stocks of utility companies with relatively large capitalizations. The Total Stock Market and Small Capitalization Stock Portfolios are constructed using the same sampling technique.

This sampling technique is expected to be an effective means of substantially duplicating the income and capital returns of the Extended Market, Total Stock Market and Small Capitalization Stock Portfolios' target benchmarks. Over time, the correlation between the performance of the Extended Market, Total Stock Market and Small Capitalization Stock Portfolios and their respective indexes, the Wilshire 4500 Index, Wilshire 5000 Index and Russell 2000 Index, is expected to be at least 0.95. A correlation of 1.00 would indicate perfect correlation, which would be achieved when the net asset value of a Portfolio, including the value of its dividend and capital gains distributions, increases or decreases in exact proportion to changes in the respective target benchmark.

Due to the use of the sampling technique, neither the Extended Market Portfolio, Total Stock Market Portfolio nor the Small Capitalization Stock Portfolio is expected to track its benchmark index with the same degree of accuracy as evidenced by the high degree of correlation between the 500 Portfolio and its benchmark. However, the principal advantage of this technique is to provide an efficient means to invest in the universe of stocks. In particular, the three Portfolios are expected to provide broad diversification, and should operate at low costs due both to their "passive" approach to portfolio management and low portfolio turnover rate.

#### THE VALUE AND GROWTH PORTFOLIOS EMPHASIZE STOCKS WITH CERTAIN INVESTMENT CHARACTERISTICS

In an effort to duplicate the investment results of their respective indexes, the Value and Growth Portfolios will utilize "complete replication," the same indexing technique used for the 500 Portfolio. Specifically, the Value and Growth Portfolios will hold all of the stocks included in the S&P/BARRA Value and Growth Indexes, respectively, in approximately the same proportions as those stocks are represented in the Indexes.

Standard & Poor's Corporation constructs the S&P/BARRA Value and Growth Indexes semi-annually by ranking all common



stocks included in the S&P 500 Index by their price-to-book ratios. The resulting list is then divided in half by market capitalization. Those companies representing half of the market capitalization of the S&P 500 Index and having lower price-to-book ratios are included in the S&P/BARRA Value Index; the remaining companies are incorporated in the S&P/BARRA Growth Index. On December 31, 1993, after the semi-annual reconstitution of the indexes, the S&P/BARRA Value Index consisted of 310 common stocks in the S&P 500 Index, while the S&P/BARRA Growth Index consisted of the remaining 190. Each Index represented half of the market capitalization of the S&P 500 Index.

Investment managers may use a number of different methods to classify stocks as "value" or "growth". There may also be other ways to define benchmarks for "value" and "growth" investing. If other methods were applied to the companies comprising the S&P/BARRA Value and Growth Indexes, the classification of the stocks as "growth" or "value" might be different.

Typically, the stocks included in the S&P/BARRA Value Index exhibit above-average dividend yields and lower price-to-book ratios. By comparison, the stocks included in the S&P/BARRA Growth Index exhibit below-average dividend yields and higher price-to-book ratios. As of December 31, 1993, the five largest companies in the S&P/BARRA Value Index were Exxon Corp., Royal Dutch Petroleum Co., DuPont EI de Nemour, IBM, and Mobil, the five largest companies in the S&P/BARRA Growth Index were Wal Mart Stores, General Electric Co., Exxon Corporation, American Telephone & Telegraph, and Coca Cola Co.

The 500, Value and Growth Portfolios are not sponsored, endorsed, sold or promoted by Standard & Poor's Corporation ("S&P"). S&P makes no representations or warranty, implied or expressed, to the purchasers of the Portfolios or any member of the public regarding the advisability of investing in index funds or the ability of the S&P 500, S&P/BARRA Value and S&P/BARRA Growth Indexes to track general stock market performance or to track the general performance of value and growth stocks. S&P does not guarantee the accuracy and/or the completeness of the S&P 500, S&P/BARRA Value and S&P/BARRA Growth Indexes or any data included herein.

S&P's only relationship to the Portfolios is the licensing of the S&P marks and the S&P 500, S&P/BARRA Value and S&P/BARRA Growth Indexes, which are determined, composed and calculated by S&P without regard to the 500, Value and Growth Portfolios.

#### EACH PORTFOLIO MAY INVEST IN SHORT-TERM FIXED INCOME SECURITIES

Although all six Portfolios normally seek to remain substantially fully invested in common stocks, the Portfolios of the Trust may invest temporarily in certain short-term fixed income securities. Such securities may be used to invest uncommitted cash balances or to maintain liquidity to meet shareholder redemptions. These securities include: obligations of the United States Government and its agencies or instrumentalities; commercial paper, bank certificates of deposit, and bankers' acceptances; and repurchase agreements collateralized by these securities.

#### EACH PORTFOLIO MAY USE FUTURES CONTRACTS AND OPTIONS

Each Portfolio of the Trust may utilize stock futures contracts and options to a limited extent. Specifically, each Portfolio may enter into futures contracts provided that not more than 5% of its assets are required as a futures contract deposit; in addition, each Portfolio may enter into futures contracts and options transactions only to the extent that obligations under such contracts or transactions represent not more than 20% of each Portfolios' assets.

Futures contracts and options may be used for several reasons: to maintain cash reserves while simulating full investment; to facilitate trading; to reduce transaction costs; or to seek higher investment returns when a futures contract is priced more attractively than the underlying equity security or index. While futures contracts and options can be used as leveraged investments, a Portfolio may not use futures contracts or options to leverage its net assets.

#### FUTURES CONTRACTS AND OPTIONS POSE CERTAIN RISKS

The primary risks associated with the use of futures contracts and options are: (i) imperfect correlation between the change in market value of the stocks held by a Portfolio and the prices of futures contracts and options; and (ii)

possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position when desired. The risk of imperfect correlation will be minimized by investing only in those contracts whose behavior is expected to resemble that of the Portfolio's underlying securities. The risk that a Portfolio will be unable to close out a futures position will be minimized by entering into such transactions on a national exchange with an active and liquid secondary market.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (or gain) to the investor. When investing in futures contracts, the Trust will segregate cash or cash equivalents in the amount of the underlying obligation.

Since there are no futures traded on the S&P/BARRA Value or Growth Indexes, it will be necessary for the Value and Growth Portfolios to utilize a composite of other futures contracts

to simulate the performance of each of these Indexes. This process may magnify the "tracking error" of each Portfolio's performance compared to that of the Indexes, due to lower correlation of the selected futures with the Indexes. The investment adviser will attempt to reduce this tracking error by investing in futures contracts whose behavior is expected to resemble that of the underlying securities, although there can be no assurance that these selected futures will perfectly correlate with the performance of the indexes.

Each Portfolio may also invest in swap agreements within the limitations set forth above. Swap agreements are contracts between parties in which one party agrees to make payments to the other party based on the change in market value of a specified index or asset. Although swap agreements entail the risk that a party will default on its payment obligations thereunder, the Portfolios will minimize this risk by remaining fully collateralized at all times and by marking the securities subject to the swap agreement to market daily.

EACH PORTFOLIO MAY LEND ITS SECURITIES

Each Portfolio of the Trust may lend its investment securities to qualified institutional investors for either short-term or long-term purposes of realizing additional income. Loans of securities by a Portfolio will be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities, and such loans may not exceed 331/3% of the value of the Portfolio's net assets.

PORTFOLIO TURNOVER IS EXPECTED TO BE LOW

Although each Portfolio generally seeks to invest for the long term, the six Portfolios of the Trust retain the right to sell securities irrespective of how long they have been held. However, because of the "passive" investment management approach of the Trust, the portfolio turnover rate for each Portfolio is expected to be under 50%, a generally lower turnover rate than for most other investment companies. A portfolio turnover rate of 50% would occur if one half of a Portfolio's securities were sold within one year. Ordinarily, securities will be sold from a Portfolio only to reflect certain administrative changes in an index (including mergers or changes in the composition of an index) or to accommodate cash flows into and out of each Portfolio while maintaining the similarity of a Portfolio to its benchmark index.

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INVESTMENT  
LIMITATIONS  
THE TRUST HAS ADOPTED  
CERTAIN FUNDAMENTAL  
LIMITATIONS

The Trust has adopted certain limitations on its investment practices. Specifically, each Portfolio of the Trust will not:

- (a) with respect to 75% of its assets, purchase securities of any issuer (except obligations of the U.S. Government and its instrumentalities) if, as a result, more than 5% of the value of the Portfolio's assets would be invested in the securities of such issuer;
- (b) with respect to 75% of its assets, purchase more than 10% of the voting securities of any issuer;

- (c) invest more than 5% of assets in the securities of companies that have a continuous operating history of less than three years;
- (d) invest more than 25% of its assets in any one industry; and
- (e) borrow money, except that a Portfolio may borrow from banks (or through reverse repurchase agreements), for temporary or emergency (not leveraging) purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities, in an amount not exceeding 15% of the value of the Portfolio's net assets (including the amount borrowed and the value of any outstanding reverse repurchase agreements) at the time the borrowing is made. Whenever borrowing exceed 5% of the value of a Portfolio's net assets, the Portfolio will not make any additional investments.

These investment limitations are considered at the time investment securities are purchased. The limitations described here and in the Statement of Additional Information may be changed only with the approval of a majority of a Portfolio's shareholders.

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MANAGEMENT  
OF THE TRUST

VANGUARD ADMINISTERS AND DISTRIBUTES THE TRUST

The Trust is a member of The Vanguard Group of Investment Companies, a family of 32 investment companies with 77 distinct portfolios and total assets in excess of \$120 billion. Through their jointly owned subsidiary, The Vanguard Group, Inc. ("Vanguard"), the Trust and the other Funds in the Group obtain at cost virtually all of their corporate management, administrative and distribution services. Vanguard also provides investment advisory services on an at-cost basis to certain Vanguard Funds. As a result of Vanguard's unique corporate structure, the Vanguard Funds have costs substantially lower than those of most competing mutual funds. In 1992, the average expense ratio (annual costs including advisory fees divided by total net assets) for the Vanguard Funds amounted to .31% compared to an average of 1.03% for the mutual fund industry (data provided by Lipper Analytical Services).

The Officers of the Trust manage its day-to-day operations and are responsible to the Trust's Board of Trustees. The Trustees set broad policies for the Trust and choose its Officers. A list of the Trustees and Officers of the Trust and a statement of their present positions and principal occupations during the past five years can be found in the Statement of Additional Information.

Vanguard employs a supporting staff of management and administrative personnel needed to provide the requisite services to the funds and also furnishes the funds with necessary office space, furnishings and equipment. Each fund pays its share of Vanguard's total expenses, which are allocated among the funds under methods approved by the Board of Trustees (Directors) of each fund. In addition, each fund bears its own direct expenses, such as legal, auditing and custodian fees.

Vanguard provides distribution and marketing services to the funds. The funds are available on a no-load basis (i.e., there are no sales commissions or 12b-1 fees). However, each fund bears its share of the Group's distribution costs.

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INVESTMENT  
ADVISER  
VANGUARD MANAGES  
THE TRUST ON AN  
AT-COST BASIS

The six Portfolios of the Trust receive all investment advisory services on an at-cost basis from Vanguard's Core Management Group. The Core Management Group also provides investment advisory services to several other Vanguard Funds, including Vanguard International Equity Index Fund, Vanguard Institutional Index Fund, Vanguard Balanced Index Fund, Vanguard Variable Insurance Fund--Equity Index Portfolio, and a portion of Vanguard/Windsor II, as well as to several indexed separate accounts. Total assets under management by the Core Management Group were \$16.3 billion as of December 31, 1993. The Trust is not actively managed, but is instead

administered by the Core Management Group using computerized, quantitative techniques. The Core Management Group is supervised by the Officers of the Trust.

In placing portfolio transactions, the Core Management Group uses its best judgment to choose the broker most capable of providing the brokerage services necessary to obtain the best available price and most favorable execution at the lowest commission rate. The full range and quality of brokerage services available are considered in making these determinations. In those instances where it is reasonably determined that more than one broker can offer the services needed to obtain the best available price and most favorable execution, consideration may be given to those brokers which supply statistical information and provide other services in addition to execution services to the Trust.

The Trust's Board of Trustees may, without the approval of shareholders, provide for: (a) the employment of a new investment adviser pursuant to the terms of a new advisory agreement either as a replacement for an existing adviser or as an additional adviser; (b) a change in the terms of an advisory agreement; and (c) the continued employment of an existing adviser on the same advisory contract terms where a contract has been assigned because of a change in control of the adviser. Any such change will only be made upon not less than 30 days prior written notice to shareholders of the Trust which shall include substantially the information concerning the adviser that would have normally been included in a proxy statement.

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 PERFORMANCE  
 RECORD

The table in this section provide investment results for the 500 and Extended Market Portfolios of the Trust for several periods throughout the Trust's lifetime. The results shown represent "total return" investment performance, which assumes the reinvestment of all capital gains and income dividends for the indicated periods. Also included is comparative information with respect to the unmanaged S&P 500 Composite Stock Price Index, the Wilshire 4500 Index and the Russell 2000 Index. The results for the Portfolios are net of all expenses while the results of the stock indexes are hypothetical and make no allowances for the costs of investing. The tables do not make any allowance for federal, state or local income taxes, which shareholders must pay on a current basis. The Total Stock Market, Value, and Growth Portfolios were introduced in 1992, and so long-term investment results are not yet available.

The results shown should not be considered a representation of the total return from an investment made in the Trust today. The periods shown were generally favorable ones for stock market investing. This information is provided to help investors better understand the Trust and may not provide a basis for comparison with other investments or mutual funds which use a different method to calculate performance.

<TABLE>  
 <CAPTION>

FISCAL PERIODS ENDED 12/31/93	AVERAGE ANNUAL TOTAL RETURN FOR VANGUARD INDEX TRUST--500 PORTFOLIO	
	500 PORTFOLIO*	S&P 500 INDEX
<S>	<C>	<C>
1 Year	+ 9.8%	+10.1%
5 Years	+14.3	+14.5
10 Years	+14.6	+14.9
Lifetime**	+13.2	+13.7

<FN>  
 \*Inclusive of \$10 annual account maintenance fee.  
 \*\*August 31, 1976 to December 31, 1993.

</TABLE>  
 <TABLE>  
 <CAPTION>

FISCAL PERIODS ENDED 12/31/93	AVERAGE ANNUAL TOTAL RETURN FOR VANGUARD INDEX TRUST-- EXTENDED MARKET PORTFOLIO	
	EXTENDED MARKET PORTFOLIO*	WILSHIRE 4500 INDEX

<S>	<C>	<C>
1 Year	+13.3%	+14.6%
5 Years	+14.0	+14.5
Lifetime**	+14.8	+15.5

<FN>

\*Includes 1% portfolio transaction fee and \$10 annual account maintenance fee.  
\*\*December 21, 1987 to December 31, 1993.

</TABLE>

<TABLE>  
<CAPTION>

AVERAGE ANNUAL TOTAL RETURN FOR VANGUARD INDEX TRUST-- SMALL CAPITALIZATION STOCK PORTFOLIO+		
FISCAL PERIODS ENDED 9/30/93	SMALL CAPITALIZATION STOCK PORTFOLIO*	RUSSELL 2000 INDEX
<S>	<C>	<C>
1 Year	+30.2%	+33.2%
3 Years	+27.5	+28.1
Since September 11, 1989	+10.2	N/A

<FN>

\*Includes 1% portfolio transaction fee and \$10 annual account maintenance fee.  
+Formerly Vanguard Small Capitalization Stock Fund, Inc.

</TABLE>

DIVIDENDS,  
CAPITAL GAINS  
AND TAXES

FOUR PORTFOLIOS PAY QUARTERLY DIVIDENDS; THE EXTENDED MARKET AND SMALL  
CAPITALIZATION STOCK PORTFOLIOS PAYS DIVIDENDS ONCE A YEAR

The Trust distributes substantially all of its net investment income in the form of dividends. The 500, Total Stock Market, Value and Growth Portfolios pay quarterly dividends, while the Extended Market and Small Capitalization Stock Portfolios pay annual dividends. For all six Portfolios, net capital gains, if any, are distributed annually.

A Portfolio's dividend and capital gains distributions may be reinvested in additional shares or received in cash. See "Choosing a Distribution Option" for a description of these distribution methods.

Pursuant to the Internal Revenue Code, certain dividend and capital gains distributions declared by each Portfolio during December. Such distributions, if received by shareholders by January 31, are deemed to have been paid by the Trust and received by shareholders on December 31 of the prior year.

EACH PORTFOLIO CHARGES A \$10 ANNUAL ACCOUNT MAINTENANCE FEE

The Trust automatically deducts a \$10 annual account maintenance fee from the dividend income paid to each Portfolio account. A \$2.50 fee is deducted each quarter from the dividend of the 500, Total Stock Market, Value and Growth Portfolios, and a \$10 fee is deducted once a year from the dividend of the Extended Market and Small Capitalization Stock Portfolios. If the dividend to be paid to an account is less than the fee to be deducted, sufficient shares will be redeemed from an account to make up the difference. The Board of Trustees reserves the right to change the annual account maintenance fee to reflect the actual cost of maintaining shareholder accounts.

Each Portfolio of the Trust intends to continue to qualify for taxation as a "regulated investment company" under the Internal Revenue Code so that each Portfolio will not be subject to federal income tax to the extent its income is distributed to shareholders. Dividends paid by each Portfolio from net investment income, whether received in cash or reinvested in additional shares, will be taxable to shareholders as ordinary income. For corporate investors, dividends from net investment income will generally qualify in part for the intercorporate dividends-received deduction. However, the portion of the dividends so qualified depends on the aggregate taxable qualifying dividend income received by a Portfolio from domestic (U.S.) sources.

Distributions paid by a Portfolio from long-term capital gains, whether received in cash or reinvested in additional shares, are taxable as long-term capital gains, regardless of the length of time you have owned shares in the Portfolio.

Capital gains distributions are made when a Portfolio realizes net capital gains on sales of portfolio securities during the year. A Portfolio does not seek to realize any particular amount of capital gains during a year; rather, realized gains are a byproduct of portfolio management activities. Consequently, capital gains distributions may be expected to vary considerably from year-to-year; there will be no capital gains distributions in years when a Portfolio realizes net capital losses.

Note that if you elect to receive capital gains distributions in cash, instead of reinvesting them in additional shares, you are in effect reducing the capital at work for you in a Portfolio. Also, keep in mind that if you purchase shares in a Portfolio shortly before the record date for a dividend or capital gains distribution, a portion of your investment will be returned to you as a taxable distribution, regardless of whether you are reinvesting your distributions or receiving them in cash.

The Trust will notify you annually as to the tax status of dividend and capital gains distributions paid by each Portfolio.

A CAPITAL GAIN  
OR LOSS MAY BE  
REALIZED UPON EXCHANGE OR REDEMPTION

A sale of shares of a Portfolio is a taxable event, and may result in a capital gain or loss. A capital gain or loss may be realized from an ordinary redemption of shares or an exchange of shares between two mutual funds (or two portfolios of a mutual fund).

Dividend distributions, capital gains distributions, and capital gains or losses from redemptions and exchanges may be subject to state and local taxes.

Each Portfolio of the Trust is required to withhold 31% of taxable dividends, capital gains distributions, and redemptions paid to shareholders who have not complied with IRS taxpayer identification regulations. You may avoid this withholding requirement by certifying on your Account Registration Form your proper Social Security or Taxpayer Identification Number and by certifying that you are not subject to backup withholding.

The Trust is organized as a Pennsylvania business trust and, in the opinion of counsel, is not liable for any income or franchise tax in the Commonwealth of Pennsylvania. The Trust will be subject to Pennsylvania county personal property tax in the county which is the site of its principal office. Shareholders who are Pennsylvania residents will not be subject to county personal property taxes, with the exception of non-exempt holders who are residents of the City and School District of Pittsburgh.

The tax discussion set forth above is included for general information only. Prospective investors should consult their own tax advisers concerning the tax consequences of an investment in the Trust.

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THE SHARE  
PRICE OF  
EACH PORTFOLIO

The share price or "net asset value" per share of each Portfolio is determined by dividing the total market value of the Portfolio's investments and other assets, less any liabilities, by the number of outstanding shares of the Portfolio. Net asset value per share is determined once daily at the close of regular trading on the New York Stock Exchange (generally 4:00 p.m. Eastern time).

Portfolio securities that are listed on a securities exchange are valued at the last quoted sales price on the day the valuation is made. Price information on listed securities is taken from the exchange where the security is primarily traded by the Portfolio. Securities which are listed on an exchange and which are not traded on the valuation date are valued at the mean of the bid and ask prices. For the 500, Value and Growth Portfolios, unlisted securities for which market quotations are not readily available are valued at the latest quoted bid price. For the Extended Market, Total Stock Market and Small Capitalization Stock Portfolios, unlisted securities for which market quotations are not readily

available are valued at the mean of the bid and ask prices. Temporary cash investments are valued at amortized cost which

approximates market value. Securities for which no current quotations are readily available are valued at fair market value as determined in good faith by the Trustees. Securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the fair market value of such securities.

Each Portfolio's share price can be found daily in the mutual fund listings of most major newspapers under the heading of The Vanguard Group.

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GENERAL  
INFORMATION

The Trust is a Pennsylvania business trust. The Declaration of Trust permits the Trustees to issue an unlimited number of shares of beneficial interest with no par value. The Board of Trustees has the power to designate one or more classes or series of shares of common stock and to classify or reclassify any unissued shares with respect to such series. Currently, the Trust is offering shares of six series.

The shares of each series are fully paid and non-assessable; have no preference as to conversion, exchange, dividends, retirement or other features; and have no pre-emptive rights. Such shares have non-cumulative voting rights, meaning that the holders of more than 50% of the shares voting for the election of Trustees can elect 100% of the Trustees if they so choose.

Annual meetings of shareholders will not be held except as required by the Investment Company Act of 1940 and other applicable law. An annual meeting will be held to vote on the removal of a Trustee or Trustees of the Trust if requested in writing by the holders of not less than 10% of the outstanding shares of the Trust.

All securities and cash for the 500, Extended Market, Total Stock Market and Small Capitalization Stock Portfolios are held by State Street Bank and Trust Company, Boston, MA. All securities and cash for the Value and Growth Portfolios are held by CoreStates National Bank, Philadelphia, PA. The Vanguard Group, Inc., Valley Forge, PA, serves as the Trust's Transfer and Dividend Disbursing Agent. Price Waterhouse serves as independent accountants for the Trust and will audit its financial statements annually. The Trust is not involved in any litigation.

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SHAREHOLDER GUIDE

OPENING AN ACCOUNT AND PURCHASING SHARES

You may open a regular (non-retirement) account, either by mail or wire. Simply complete and return an Account Registration Form or appropriate Adoption Agreement (e.g., the IRA Adoption Agreement) and any required legal documentation, indicating the amount you wish to invest. Your purchase must be equal to or greater than the \$3,000 minimum initial investment requirement for each Portfolio (\$500 for retirement accounts or Uniform Gifts/Transfers to Minors Act accounts). You must open a new Individual Retirement Account by mail (IRAs may not be opened by wire) using a Vanguard IRA Adoption Agreement. Please indicate the amount you wish to invest. Your purchase must be equal to or greater than the \$500 minimum initial investment requirement, but no more than \$2,000 if you are making a regular IRA contribution. Rollover deposits are limited to the amount withdrawn previously from an IRA or other qualified Retirement Plan. If you need assistance with the forms or have any questions about the Trust, please call our Investor Information Department (1-800-662-7447). NOTE: For other types of account registrations (e.g., corporations, associations, other organizations, trusts or powers of attorney), please call us to determine which additional forms you may need.

IMPORTANT NOTE ON EXPENSES

Shares of each Portfolio are purchased at the next-determined net asset value per share after your investment has been received. Purchases of the Extended Market and Small Capitalization Stock Portfolios are subject to a portfolio transaction fee of 1%, while purchases of the Total Stock Market Portfolio are subject to a 0.25% portfolio transaction fee. In addition, all six Portfolios charge a \$10 annual





PURCHASING BY EXCHANGE (from a Vanguard account)

Telephone exchanges are not accepted for Vanguard Index Trust. You may, however, open an account by exchange by providing the appropriate information on the Account Registration Form. The new account will have the same registration as the existing account. However, the Trust reserves the right to refuse any exchange purchase request.

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PURCHASING BY  
FUND EXPRESS

Automatic Investment

The Fund Express Automatic Investment option lets you move money from your bank account to your Vanguard account on the schedule (monthly, bimonthly (every other month), quarterly or yearly) you select. To establish this Fund Express option, please provide the appropriate information on the Account Registration Form. We will send you a confirmation of your Fund Express enrollment; please wait three weeks before using the service.

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CHOOSING A DISTRIBUTION OPTION

You must select one of three distribution options:

1. AUTOMATIC REINVESTMENT OPTION--Both dividends and capital gains distributions will be reinvested in additional shares. This option will be selected for you automatically unless you specify one of the other options.
2. CASH DIVIDEND OPTION--Your dividends will be paid in cash and your capital gains will be reinvested in additional shares.
3. ALL CASH OPTION--Both dividend and capital gains distributions will be paid in cash.

You may change your option by calling our Client Services Department (1-800-662-2739).

An option to invest your dividends and/or capital gains distributions in another Vanguard Fund Account is available. Please call our Client Services Department (1-800-662-2739) for information. You may also elect Vanguard Dividend Express which allows you to transfer your dividends and/or capital gains distributions automatically to your bank account. Please see "Other Vanguard Services" for more information.

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TAX CAUTION

INVESTORS SHOULD ASK ABOUT THE TIMING OF CAPITAL GAINS AND DIVIDEND DISTRIBUTIONS BEFORE INVESTING

Under Federal tax law, the Trust is required to distribute net capital gains and dividend income earned by the Trust. These distributions are made to all shareholders who own shares as of the distribution's record date, regardless of how long the shares have been owned. In the extreme, a taxable investor might purchase Trust shares immediately prior to record date of a sizable capital gains distribution (or a substantial income dividend). This shareholder would then be liable for taxes on the amount of the distribution even though the shares were only owned for one day at the time of the distribution. While the total value of the investment would be the same after the "ex-dividend" date as before, the investor would prematurely incur a tax penalty. Taxable shareholders are liable for taxes on these distributions even if the gain is automatically reinvested in additional Trust shares.

Prospective investors should, therefore, inquire about potential distributions before investing. The Trust's annual capital gains distribution normally occurs in December, while income dividends are generally paid quarterly for the 500, Total Stock Market, Value and Growth Portfolios in March, June, September & December; annually for the Extended Market Portfolio in December; and annually for Small Capitalization Stock Portfolio in September. For additional information on distributions and taxes, see the section titled "Dividends, Capital Gains and Taxes."

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IMPORTANT INFORMATION

ESTABLISHING OPTIONAL SERVICES

The easiest way to establish optional Vanguard services on your account is to select the options you desire when you complete your Account Registration Form. IF YOU WISH TO ADD OPTIONS LATER, YOU MAY NEED TO PROVIDE VANGUARD WITH

ADDITIONAL INFORMATION AND A SIGNATURE GUARANTEE. PLEASE CALL OUR CLIENT SERVICES DEPARTMENT (1-800-662-2739) FOR FURTHER ASSISTANCE.

SIGNATURE GUARANTEES

For our mutual protection, we may require a signature guarantee on certain written transaction requests. A signature guarantee verifies the authenticity of your signature and may be obtained from banks, brokers and any other guarantor that Vanguard deems acceptable. A SIGNATURE GUARANTEE CANNOT BE PROVIDED BY A NOTARY PUBLIC.

CERTIFICATES

Share certificates will be issued upon request (except for the Total Stock Market, Value and Growth Portfolios). If a certificate is lost, you may incur an expense to replace it.

BROKER-DEALER PURCHASES

If you purchase shares in Vanguard Funds through a registered broker-dealer or investment adviser, the broker-dealer or adviser may charge a service fee.

CANCELLING TRADES

The Trust will not cancel any trade (e.g., purchase, exchange or redemption) believed to be authentic, received in writing or by telephone, once the trade has been received.

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WHEN YOUR ACCOUNT WILL BE CREDITED

Your trade date is the date on which your account is credited. If your purchase is made by check, Federal Funds wire or exchange, and is received by the close of regular trading the New York Stock Exchange (generally 4:00 p.m. Eastern time), your trade date is the day of receipt. If your purchase is received after the close of the Exchange, your trade date is the next business day. Shares of the 500, Extended Market, Total Stock Market, Small Capitalization Stock, Value and Growth Portfolios are purchased at the net asset value determined on your trade date. Shares of the Extended Market and Small Capitalization Stock Portfolios are also subject to a 1% portfolio transaction fee while shares of the Total Stock Market Portfolio are subject to a 0.25% portfolio transaction fee. (See "Trust Expenses.")

In order to prevent lengthy processing delays caused by the clearing of foreign checks, Vanguard will only accept a foreign check which has been drawn in U.S. dollars and has been issued by a foreign bank with a U.S. correspondent bank.

Because of the risks associated with common stock investments, the Trust is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculating on short-term stock market movements. Consequently the Trust reserves the right to reject any specific purchase (and exchange purchase) request.

The Trust also reserves the right to suspend the offering of shares for a period of time.

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SELLING YOUR SHARES

You may withdraw any portion of the funds in your account by redeeming shares at any time. You may initiate a request by writing or by telephoning. Your redemption proceeds are normally mailed within two business days after the receipt of the request in Good Order.

SELLING BY MAIL

Requests should be mailed to VANGUARD FINANCIAL CENTER, VANGUARD INDEX TRUST, P.O. BOX 1120, VALLEY FORGE, PA 19482. (For express or registered mail, send your request to Vanguard Financial Center, Vanguard Index Trust, 455 Devon Park Drive, Wayne, PA 19087.)

The redemption price of shares will be the Portfolio's net asset value next determined after Vanguard has received all required documents in Good Order.

DEFINITION OF  
GOOD ORDER

GOOD ORDER means that the request includes the following:

1. The account number and Portfolio name.
2. The amount of the transaction (specified in dollars or shares).
3. Signatures of all owners EXACTLY as they are registered on the account.
4. Any required signature guarantees.
5. Other supporting legal documentation that might be required, in the case of estates, corporations, trusts and certain other accounts.

6. Any certificates that you hold for the account.

IF YOU HAVE QUESTIONS ABOUT THIS DEFINITION AS IT PERTAINS TO YOUR REQUEST, PLEASE CALL OUR CLIENT SERVICES DEPARTMENT (1-800-662-2739).

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SELLING BY  
TELEPHONE

To sell shares by telephone, you or your pre-authorized representative may call our Client Services Department at 1-800-662-2739. The proceeds will be sent to you by mail. In addition to the details below, please see "Important Information About Telephone Transactions."

BY MAIL: Telephone mail redemption is automatically established on your account unless you indicate otherwise on your Account Registration Form. You may redeem any amount by calling Vanguard. The proceeds will be paid to the registered shareholders and mailed to the address of record.

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SELLING BY FUND EXPRESS

Automatic Withdrawal

With the Fund Express Automatic Withdrawal option, money will be automatically moved from your Vanguard Fund account to your bank account according to the schedule you have selected. You may elect Fund Express on the Account Registration Form or call our Investor Information Department (1-800-662-7447) for a Fund Express application.

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SELLING BY EXCHANGE

You may sell shares by making an exchange to another Vanguard Fund account. Exchanges to or from Vanguard Index Trust may be made only by mail. Send your exchange request to VANGUARD FINANCIAL CENTER, VANGUARD INDEX TRUST, P.O. BOX 1120, VALLEY FORGE, PA 19482.

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IMPORTANT REDEMPTION INFORMATION

Shares purchased by check or Fund Express may not be redeemed until payment for the purchase is collected, which may take up to ten calendar days. Your money is invested during the holding period.

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DELIVERY OF REDEMPTION  
PROCEEDS

Redemption requests received by telephone prior to the close of the New York Stock Exchange (generally 4:00 p.m. Eastern time) are processed on the day of receipt and the redemption proceeds are normally sent on the following business day. Redemption requests received by telephone after the close of the Exchange are processed on the business day following receipt and the proceeds are normally sent on the second business day following receipt. Redemption proceeds must be sent to you within seven days of receipt of your request in Good Order.

If you experience difficulty in making a telephone redemption during periods of drastic economic or market changes, your redemption request may be made by regular or express mail. It will be implemented at the net asset value next determined after your request has been received by Vanguard in Good Order. The Trust reserves the right to revise or terminate the telephone redemption privilege at any time.

The Trust may suspend the redemption right or postpone payment at times when the New York Stock Exchange is closed or under any emergency circumstances as determined by the United States Securities and Exchange Commission.

If the Board of Trustees determines that it would be detrimental to the best interests of the Trust's remaining shareholders to make payment in cash, the Trust may pay redemption proceeds in whole or in part by a distribution in kind of readily marketable securities.

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VANGUARD'S AVERAGE COST STATEMENT

If you make a redemption from a qualifying account, Vanguard will send you an Average Cost Statement which provides you with the tax basis of the shares you redeemed. Please see "Other Vanguard Services" for additional information.

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MINIMUM ACCOUNT BALANCE  
REQUIREMENT

Due to the relatively high cost of maintaining smaller accounts, the Trust reserves the right to redeem shares in any account that is below \$3,000 (\$250 with respect to the 500 Portfolio). It is the Trust's current policy that, at any time your total investment in the Extended Market, Total Stock Market, Small Capitalization Stock, Value or Growth Portfolios falls below \$1,000 (\$250 with respect to the 500 Portfolio), you may be notified that the value of your account is below the Portfolio's minimum account balance requirement. You would then be allowed 60 days to make an additional investment before the account is liquidated. Proceeds would be promptly paid to the shareholder. These minimums do not apply to IRAs, other retirement accounts, and Uniform Gifts/Transfers to Minors Act accounts.

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EXCHANGING YOUR SHARES

Should your investment goals change, you may exchange your shares of Vanguard Index Trust for those of other available Vanguard Funds. Exchanges to or from Vanguard Index Trust may be made only by mail. TELEPHONE EXCHANGES ARE NOT ACCEPTED FOR THE TRUST.

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EXCHANGING BY MAIL

Please be sure to include on your exchange request the name and account number of your current Portfolio, the name of the Trust you wish to exchange into, the amount you wish to exchange, and the signatures of all registered account holders. Send your request to VANGUARD FINANCIAL CENTER, VANGUARD INDEX TRUST, P.O. BOX 1120, VALLEY FORGE, PA 19482. (For express or registered mail, send your request to Vanguard Financial Center, Vanguard Index Trust, 455 Devon Park Drive, Wayne, PA 19087.)

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IMPORTANT EXCHANGE INFORMATION

Before you make an exchange, you should consider the following:

- \* Please read the Fund's prospectus before making an exchange. For a copy and for answers to any questions you may have, call our Investor Information Department (1-800-662-7447).
- \* An exchange is treated as a redemption and a purchase. Therefore, you could realize a taxable gain or loss on the transaction.
- \* Exchanges are accepted only if the registrations and the Taxpayer Identification numbers of the two accounts are identical.
- \* The shares to be exchanged must be on deposit and not held in certificate form.
- \* New accounts are not currently accepted in the Vanguard/Windsor Fund.
- \* The redemption price of shares redeemed by exchange is the net asset value next determined after Vanguard has received all required documentation in Good Order.
- \* When opening a new account by exchange, you must meet the minimum investment requirement of the new Fund.

Every effort will be made to maintain the exchange privilege. However, the Trust reserves the right to revise or terminate its provisions, limit the amount of or reject any exchange, as deemed necessary, at any time.

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EXCHANGE PRIVILEGE LIMITATIONS

The Trust's exchange privilege is not intended to afford shareholders a way to speculate on short-term movements in the market. Accordingly, in order to prevent excessive use of the exchange privilege that may potentially disrupt the management of the Trust and increase transaction costs, the Trust has established a policy of limiting excessive exchange activity.

Exchange activity generally will not be deemed excessive if limited to TWO SUBSTANTIVE EXCHANGE REDEMPTIONS (AT LEAST 30 DAYS APART) from a Portfolio of the Trust during any calendar year. These limitations do not apply to exchanges from Vanguard's money market portfolios.

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IMPORTANT INFORMATION ABOUT TELEPHONE TRANSACTIONS

The ability to initiate redemptions (except wire

redemptions) and exchanges by telephone is automatically established on your account unless you request in writing that telephone transactions on your account not be permitted.

To protect your account from losses resulting from unauthorized or fraudulent telephone instructions, Vanguard adheres to the following security procedures:

1. SECURITY CHECK. To request a transaction by telephone, the caller must know (i) the name of the Portfolio; (ii) the 10-digit account number; (iii) the exact name in which the account is registered; and (iv) the Social Security or Taxpayer Identification number listed on the account.
2. PAYMENT POLICY. The proceeds of any telephone redemption by mail will be made payable to the registered shareowner and mailed to the address of record, only.

Neither the Trust nor Vanguard will be responsible for the authenticity of transaction instructions received by telephone, provided that reasonable security procedures have been followed. Vanguard believes that the security procedures described above are reasonable and that if such procedures are followed, you will bear the risk of any losses resulting from unauthorized or fraudulent telephone transactions on your account. If Vanguard fails to follow reasonable security procedures, it may be liable for any losses resulting from unauthorized or fraudulent telephone transactions on your account.

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#### TRANSFERRING REGISTRATION

You may transfer the registration of any of your Trust shares to another person by completing a transfer form and sending it to: VANGUARD FINANCIAL CENTER, P.O. BOX 1110, VALLEY FORGE, PA 19482 ATTENTION: TRANSFER DEPARTMENT. The request must be in Good Order. To obtain a transfer form and full instructions, please call our Client Services Department (1-800-662-2739).

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#### OTHER VANGUARD SERVICES

For more information about any of these services, please call our Investor Information Department at 1-800-662-7447.

#### STATEMENTS AND REPORTS

Vanguard will send you a confirmation statement each time you initiate a transaction in your account except for checkwriting redemptions from Vanguard money market accounts. You will also receive a comprehensive account statement at the end of each calendar quarter. The fourth-quarter statement will be a year-end statement, listing all transaction activity for the entire calendar year.

Financial reports on the Trust will be mailed to you semi-annually, according to the Fund's fiscal year-end.

Vanguard's Average Cost Statement provides you with the average cost of shares redeemed from your account, using the average cost single category method. This service is available for most taxable accounts opened since January 1, 1986. In general, investors who redeemed shares from a qualifying Vanguard account may expect to receive their Average Cost Statement in February of the following year. Please call our Client Services Department (1-800-662-2739) for information.

#### VANGUARD DIRECT DEPOSIT SERVICE

With Vanguard's Direct Deposit Service, most U.S. Government checks (including Social Security and military pension checks) and private payroll checks may be automatically deposited into your Vanguard Fund account. Separate brochures and forms are available for direct deposit of U.S. Government and private payroll checks.

#### VANGUARD AUTOMATIC EXCHANGE SERVICE

Vanguard's Automatic Exchange Service allows you to move money automatically among your Vanguard Fund accounts. For instance, the service can be used to "dollar cost average" from a money market portfolio into a stock or bond fund or to contribute to an IRA or other retirement plan.

#### VANGUARD FUND EXPRESS

Vanguard's Fund Express allows you to transfer money between your Trust account and your account at a bank, savings and loan association, or a credit union that is a member of the Automated Clearing House (ACH) system. You may

elect this service on the Account Registration Form or call our Investor Information Department (1-800-662-7447) for a Fund Express application.

The minimum amount that can be transferred by telephone is \$100. However, if you have established one of the automatic options, the minimum amount is \$50. The maximum amount that can be transferred using any of the options is \$100,000.

Special rules govern how your Fund Express purchases or redemptions are credited to your account. In addition, some services of Fund Express cannot be used with specific Vanguard Funds. For more information, please refer to the Vanguard Fund Express brochure.

VANGUARD DIVIDEND EXPRESS

Vanguard's Dividend Express allows you to transfer your dividends and/or capital gains distributions automatically from your Trust account, one business day after the Trust's payable date, to your account at a bank, savings and loan association, or a credit union that is a member of the Automated Clearing House (ACH) network. You may elect this service on the Account Registration Form or call the Investor Information Department (1-800-662-7447) for a Vanguard Dividend Express application.

VANGUARD TELE-ACCOUNT

Vanguard's Tele-Account is a convenient, automated service that provides share price, price change and yield quotations on Vanguard Funds through any TouchTone(TM) telephone. This free service also lets you obtain information about your account balance, your last transaction, and your most recent dividend or capital gains payment. To contact Vanguard's Tele-Account service, dial 1-800-ON-BOARD (1-800-662-6273). A free brochure offering detailed operating instructions is available from our Investor Information Department (1-800-662-7447).

THE VANGUARD GROUP OF INVESTMENT COMPANIES

Vanguard Financial Center P.O. Box 2900 Valley Forge, PA 19482

INSTITUTIONAL PARTICIPANT SERVICES DEPARTMENT: 1-800-523-1188

TRANSFER AGENT: The Vanguard Group, Inc. Vanguard Financial Center Valley Forge, PA 19482

I N S T I T U T I O N A L P R O S P E C T U S JANUARY 28, 1994

A Member of The Vanguard Group

PROSPECTUS--JANUARY 28, 1994

FUND INFORMATION: PARTICIPANT SERVICES--1-800-523-1188

INVESTMENT OBJECTIVE AND POLICIES

Vanguard Index Trust (the "Trust") is an open-end diversified investment company designed as an "index" fund. THE TRUST CONSISTS OF SIX PORTFOLIOS: THE 500, EXTENDED MARKET, TOTAL STOCK MARKET, SMALL CAPITALIZATION STOCK, VALUE AND GROWTH PORTFOLIOS. Each of these Portfolios invests in common stocks in order to match the investment performance of a distinct market index.

IMPORTANT NOTE

This Prospectus is intended exclusively for participants in employer-sponsored retirement or savings plans, such as tax-qualified pension and profit-sharing plans and 401(k) thrift plans, as well as 403(b) custodial accounts for non-profit

educational and charitable organizations. Another version of this Prospectus, containing information on how to open a personal investment account with the Trust, is available for individual investors. To obtain a copy of that version of the Prospectus, please call 1-800-662-7447.

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OPENING AN ACCOUNT

A Portfolio of the Trust is an investment option under a retirement or savings program sponsored by your employer. The administrator of your retirement plan or your employee benefits office can provide you with detailed information on how to participate in your plan and how to elect a Portfolio of the Trust as an investment option. If you have any questions about the Trust, please contact Participant Services at 1-800-523-1188. If you have any questions about your plan account, contact your plan administrator or the organization that provides recordkeeping services for your plan.

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ABOUT THIS PROSPECTUS

This Prospectus is designed to set forth concisely the information you should know about the Trust before you invest. It should be retained for future reference. A "Statement of Additional Information" containing additional information about the Trust has been filed with the Securities and Exchange Commission. This Statement is dated January 28, 1994 and has been incorporated by reference into this Prospectus. A copy may be obtained without charge by writing to the Trust or by calling the Investor Information Department.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

-----  
HIGHLIGHTS

OBJECTIVE AND POLICIES

The Trust is an open-end diversified investment company designed as an "index" fund. Shares of the Trust are offered on a no-load basis, although the Trust incurs certain distribution expenses. The Trust consists of six separate Portfolios, each of which invests in common stocks in order to match the performance of a selected market index. There is no assurance, however, that the Trust will achieve its stated objective. Page 10

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SIX SEPARATE PORTFOLIOS

Investors may choose to invest in any of six Portfolios of the Trust:

500 PORTFOLIO--seeks to match the investment performance of the Standard & Poor's 500 Composite Stock Price Index, an index emphasizing large-capitalization stocks.

EXTENDED MARKET PORTFOLIO--seeks to match the investment performance of the Wilshire 4500 Index, an index consisting of medium- and small-capitalization stocks.

TOTAL STOCK MARKET PORTFOLIO--seeks to match the investment performance of the Wilshire 5000 Index, an index consisting of all regularly and publicly traded U.S. stocks.

SMALL CAPITALIZATION STOCK PORTFOLIO--seeks to match the investment performance of the Russell 2000 Small Stock Index, an index consisting of 2,000 small capitalization common stocks.

VALUE PORTFOLIO--seeks to match the investment performance of

the S&P/BARRA Value Index, an index consisting of stocks selected from the Standard & Poor's 500 Index with lower than average ratios of market price to book value.

GROWTH PORTFOLIO--seeks to match the investment performance of the S&P/BARRA Growth Index, an index consisting of stocks selected from the Standard & Poor's 500 Index with higher than average ratios of market price to book value. Page 14

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RISK CHARACTERISTICS

As mutual funds investing in common stocks, all six Portfolios of the Trust are subject to market risk, which is the possibility that common stock prices will decline, sometimes substantially over short or extended periods. Due to differences in the securities they hold, the six Portfolios may exhibit varying levels of volatility. Page 13

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THE VANGUARD GROUP

The Trust is a member of The Vanguard Group of Investment Companies, a group of 32 investment companies with 77 distinct investment portfolios and total assets in excess of \$120 billion. The Vanguard Group, Inc. ("Vanguard"), a subsidiary jointly owned by the Vanguard Funds, provides all corporate management, administrative, distribution and shareholder accounting services on an at-cost basis to the Funds in the Group. Page 21

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INVESTMENT ADVISER

The Trust receives investment advisory services on an at-cost basis from Vanguard's Core Management Group. As a result, the

Trust receives its investment advisory services at a substantially lower cost than would be possible if the Trust paid an investment advisory fee to an external investment adviser. Page 21

-----  
FEES AND EXPENSES

A portfolio transaction fee of 1% is deducted from purchases of the Extended Market and Small Capitalization Stock Portfolios; a 0.25% portfolio transaction fee is deducted from purchases of the Total Stock Market Portfolio. Portfolio transaction fees are paid to the Portfolios to offset transaction costs of buying securities of small- and medium-sized companies. Page 4

-----  
DIVIDEND POLICY

The Trust distributes substantially all of its net investment income in the form of dividends. The 500, Total Stock Market, Value and Growth Portfolios distribute dividends quarterly, whereas the Extended Market and Small Capitalization Stock Portfolios distribute dividends annually. In all six Portfolios, net capital gains, if any, are distributed annually. Page 24

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SPECIAL CONSIDERATIONS

- (1) Each Portfolio may invest a portion of its assets in futures contracts and options. Page 19
- (2) Each Portfolio may invest in short-term fixed income securities. Page 19
- (3) Each Portfolio may lend its securities. Page 20
- (4) Each Portfolio may borrow money. Page 20

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TRUST EXPENSES

The following table illustrates ALL expenses and fees that you would incur as a shareholder of the Trust. The expenses and fees for the 500 and Extended Market Portfolios are based on the year ended December 31, 1992. The fees and expenses for the Small Capitalization Stock Portfolio are based on the year ended September 30, 1993. Because the Total Stock Market, Value and Growth Portfolios began operations during the 1992 fiscal year, the expense and fees set forth below are estimates for the Portfolios' first full year of operations.

<TABLE>  
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	500 PORTFOLIO	EXTENDED MARKET PORTFOLIO	TOTAL STOCK MARKET PORTFOLIO	VALUE PORTFOLIO	GROWTH PORTFOLIO	SMALL CAPITALIZATION STOCK PORTFOLIO***
----------------------------------	---------------	---------------------------	------------------------------	-----------------	------------------	---



<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales Load Imposed on Purchases.....	None	None*	None*	None*	None	None
Sales Load Imposed on Reinvested Dividends.....	None	None	None	None	None	None
Redemption Fees+.....	None	None	None	None	None	None
Exchange Fees.....	None	None	None	None	None	None

<FN>  
 \*Shareholders are charged a 1% portfolio transaction fee, payable directly to the Portfolio, on each purchase of shares.  
 \*\*Shareholders are charged a 0.25% portfolio transaction fee, payable directly to the Portfolio, on each purchase of shares.  
 \*\*\*Formerly Vanguard Small Capitalization Stock Fund, Inc.  
 +Wire redemptions under \$5,000 are subject to a \$5 fee.

</TABLE>  
 <TABLE>  
 <CAPTION>

ANNUAL FUND OPERATING EXPENSES	500 PORTFOLIO	EXTENDED MARKET PORTFOLIO	TOTAL STOCK MARKET PORTFOLIO	VALUE PORTFOLIO	GROWTH PORTFOLIO	SMALL CAPITALIZATION STOCK PORTFOLIO***
--------------------------------	---------------	---------------------------	------------------------------	-----------------	------------------	---

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Management & Administrative.....	0.15%	0.13%	0.15%	0.14%	0.14%	0.13%
Investment Advisory Fees.....	None	None	None	None	None	None
12b-1 Fees.....	None	None	None	None	None	None
Other Expenses						
Distribution Costs..	0.03	0.03	0.03	0.03	0.03	0.02
Miscellaneous Expenses.....	0.01	0.04	0.03	0.03	0.03	0.03
	----	----	----	----	----	----
TOTAL OTHER EXPENSES..	0.04	0.07	0.06	0.06	0.06	0.05
	----	----	----	----	----	----
TOTAL OPERATING EXPENSES.....	0.19%	0.20%	0.21%	0.20%	0.20%	0.18%
	=====	=====	=====	=====	=====	=====

<FN>  
 \*\*\*Formerly Vanguard Small Capitalization Stock Fund, Inc.  
 ++In addition to these costs, each Portfolio assesses an annual account maintenance fee of \$10.

</TABLE>

The purpose of this table is to assist you in understanding the various costs and expenses that you would bear directly or indirectly as an investor in the Trust.

THREE PORTFOLIOS ASSESS TRANSACTION FEES  
 The Extended Market and Small Capitalization Stock Portfolios assess a portfolio transaction fee on purchases of Portfolio shares equal to 1% of the dollar amount invested; the Total Stock Market Portfolio assesses a portfolio transaction fee equal to 0.25% of the dollar amount invested. The portfolio transaction fees are paid to the respective Portfolio, not to Vanguard. They are not sales charges.

These fees apply to initial investments in the Extended Market, Small Capitalization Stock and Total Stock Market Portfolios and all subsequent purchases (including purchases made by exchange from another Vanguard Fund or from the other portfolios of the Trust), but not to reinvested dividend or capital gains distributions. Portfolio transaction fees are deducted automatically from the amount invested; they cannot be paid separately.

The purpose of these transaction fees is to allocate transaction costs associated with new purchases to investors making those purchases, thus insulating existing shareholders from those transaction costs. These costs include: (1) brokerage costs; (2) market impact costs -- i.e., the increase in market prices which may result when the Portfolio purchases thinly traded stocks; and, most importantly, (3) the effect of the "bid-ask" spread in the over-the-counter market. (Securities in the over-the-counter market are bought at the "ask" or purchase price, but are valued in the Portfolio at the mean of the "bid," or sale, and "ask" prices.)

The 1% and 0.25% fees represent Vanguard's estimate of the brokerage and other transaction costs incurred by the Extended Market, Small Capitalization Stock and Total Stock

Market Portfolios in acquiring stocks of mid-sized and small capitalization companies. Without the fees, the three Portfolios, which incur these costs directly, would experience reduced investment performance for all shareholders in each Portfolio. With the fees, the transaction costs of acquiring additional stocks are borne not by all existing shareholders, but by those investors making additional purchases. Because the purchaser, not the Portfolios, bears these costs, the Portfolios are expected to track their respective benchmark indexes more closely.

The following example illustrates the expenses that you would incur on a \$1,000 investment over various time periods, assuming (1) a 5% annual rate of return and (2) redemption at the end of each period. The example includes the \$10 account maintenance fee for each Portfolio; the 1% portfolio transaction fee for the Extended Market and Small Capitalization Stock Portfolios; and the 0.25% transaction fee for the Total Stock Market Portfolio. As noted in the table on the previous page, the Trust charges no redemption fees of any kind.

<TABLE>  
<CAPTION>

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
500 Portfolio.....	\$12	\$36	\$60	\$123
Extended Market Portfolio.....	\$22	\$46	\$71	\$134
Total Stock Market Portfolio.....	\$15	\$39	\$64	\$128
Value Portfolio.....	\$12	\$36	\$61	\$124
Growth Portfolio.....	\$12	\$36	\$61	\$124
Small Capitalization Stock Portfolio.....	\$22	\$46	\$70	\$132

</TABLE>

Included in these estimates are account maintenance fees of \$10, \$30, \$50 and \$100 for the respective periods shown. The \$10 account maintenance fee is a flat charge which does not vary by the size of your investment. Accordingly, for investments larger than \$1,000, your total expenses will be substantially lower in percentage terms than this illustration implies.

THIS EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR PERFORMANCE. ACTUAL EXPENSES MAY BE HIGHER OR LOWER THAN THOSE SHOWN.

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FINANCIAL HIGHLIGHTS

The following financial highlights information for a share outstanding throughout each period, insofar as they relate to each of the five years in the period ended December 31, 1992, (September 30, 1993 with respect to the Small Capitalization Stock Portfolio) have been audited by Price Waterhouse, independent accountants, whose reports thereon were unqualified. This financial information should be read in conjunction with the Trust's financial statements and notes thereto, which are incorporated by reference in the Statement of Additional Information and in this Prospectus, and which appear, along with the reports of Price Waterhouse, in the Trust's 1992 Annual Report to Shareholders and inserts thereto. The financial highlights for the Small Capitalization Stock Portfolio, formerly Vanguard Small Capitalization Stock Fund, Inc. (the "Small Cap Fund") should be read in conjunction with the Small Cap Fund's above-referenced financial statements which are incorporated by reference in the Statement of Additional Information and in this Prospectus, and which appear, along with the report of Price Waterhouse, in the Small Cap Fund's 1992 Annual Report to Shareholders.

The financial highlights for the six months ended June 30, 1993 (September 30, 1993 with respect to the Small Cap Fund) is unaudited. This unaudited information should be read in conjunction with the Trust's & Small Cap Fund's financial statements and notes thereto, which are also incorporated by reference in the Statement of Additional Information and in this Prospectus, and in their respective Semi-Annual Reports to Shareholders, which may be obtained free of charge by writing to the Trust or calling our Investor Information Department.

<TABLE>  
<CAPTION>

500 PORTFOLIO												
	SIX MONTHS ENDED		YEAR ENDED DECEMBER 31,									
	JUNE 30, 1993**		1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$40.97	\$39.32	\$31.24	\$33.64	\$27.18	\$24.65	\$24.27	\$22.99	\$19.52	\$19.70	\$17.56	
INVESTMENT OPERATIONS												
Net Investment Income.....	.57	1.12	1.15	1.17	1.20	1.08	.88	.89	.91	.88	.87	
Net Realized and Unrealized Gain (Loss) on Investments.....	1.38	1.75	8.20	(2.30)	7.21	2.87	.36	3.30	5.08	.30	2.85	
TOTAL FROM INVESTMENT OPERATIONS	1.95	2.87	9.35	(1.13)	8.41	3.95	1.24	4.19	5.99	1.18	3.72	
DISTRIBUTIONS												
Dividends from Net Investment Income.....	(.44)	(1.12)	(1.15)	(1.17)	(1.20)	(1.10)	(.69)	(.89)	(.91)	(.88)	(.87)	
Distributions from Realized Capital Gains.....	(.03)	(.10)	(.12)	(.10)	(.75)	(.32)	(.17)	(2.02)	(1.61)	(.48)	(.71)	
TOTAL DISTRIBUTIONS.....	(.47)	(1.22)	(1.27)	(1.27)	(1.95)	(1.42)	(.86)	(2.91)	(2.52)	(1.36)	(1.58)	
NET ASSET VALUE, END OF PERIOD.....	\$42.45	\$40.97	\$39.32	\$31.24	\$33.64	\$27.18	\$24.65	\$24.27	\$22.99	\$19.52	\$19.70	
TOTAL RETURN***.....	4.78%	7.42%	30.22%	(3.32)%	31.36%	16.22%	4.71%	18.06%	31.23%	6.21%	21.29%	
RATIOS/SUPPLEMENTAL DATA												
Net Assets, End of Period (Millions).....	\$7,533	\$6,547	\$4,345	\$2,173	\$1,804	\$1,055	\$826	\$485	\$394	\$290	\$234	
Ratio of Expenses to Average Net Assets.....	.19%*	.19%	.20%	.22%	.21%	.22%	.26%	.28%	.28%	.27%	.28%	
Ratio of Net Investment Income to Average Net Assets.....	2.74%*	2.81%	3.07%	3.60%	3.62%	4.08%	3.15%	3.40%	4.09%	4.53%	4.22%	
Portfolio Turnover Rate.....	9%+	4%+	5%+	23%+	8%	10%	15%	29%	36%	14%	35%	

<FN>

\*Annualized.

\*\*Unaudited.

\*\*\*Total return figures do not reflect the annual account maintenance fee of \$10 or applicable portfolio transaction fees.

+Portfolio turn over rates excluding in-kind redemptions were 1%, 1%, 1% and 6%, respectively.

</TABLE>

<TABLE>

<CAPTION>

EXTENDED MARKET PORTFOLIO							
	SIX MONTHS ENDED		YEAR ENDED DECEMBER 31,				
	JUNE 30, 1993**		1992	1991	1990	1989	1988
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.....		\$17.35	\$15.82	\$11.48	\$13.92	\$11.60	\$ 9.99
INVESTMENT OPERATIONS							
Net Investment Income.....		.14	.24	.25	.30	.26	.34
Net Realized and Unrealized Gain (Loss) on Investments.....		.80	1.72	4.54	(2.25)	2.52	1.63
TOTAL FROM INVESTMENT OPERATIONS.....		.94	1.96	4.79	(1.95)	2.78	1.97
DISTRIBUTIONS							
Dividends from Net Investment Income.....		--	(.25)	(.25)	(.33)	(.23)	(.20)
Distributions from Realized Capital Gain.....		(.01)	(.18)	(.20)	(.16)	(.23)	(.16)
TOTAL DISTRIBUTIONS.....		(.01)	(.43)	(.45)	(.49)	(.46)	(.36)
NET ASSET VALUE, END OF PERIOD.....		\$18.28	\$17.35	\$15.82	\$11.48	\$13.92	\$11.60
TOTAL RETURN***.....		5.42%	12.47%	41.85%	(14.05)%	24.10%	19.75%
RATIOS/SUPPLEMENTAL DATA							
Net Assets, End of Period (Millions).....		\$668	\$585	\$372	\$179	\$147	\$35
Ratio of Expenses to Average Net Assets.....		.19%*	.20%	.19%	.23%	.23%	.24%
Ratio of Net Investment Income to Average Net Assets.....		1.61%*	1.73%	2.14%	2.68%	2.92%	2.90%
Portfolio Turnover Rate.....		15%	9%	11%	9%	14%	26%

</TABLE>

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DEC. 21+	
TO 31, 1987	
-----	
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$10.00
-----	
INVESTMENT OPERATIONS	
Net Investment Income.....	.03
Net Realized and Unrealized Gain (Loss) on Investments.....	(.04)
-----	
TOTAL FROM INVESTMENT OPERATIONS.....	(.01)
-----	
DISTRIBUTIONS	
Dividends from Net Investment Income.....	--
Distributions from Realized Capital Gain.....	--
-----	
TOTAL DISTRIBUTIONS.....	--
-----	
NET ASSET VALUE, END OF PERIOD.....	\$ 9.99
=====	
TOTAL RETURN***.....	(0.10)%
=====	
RATIOS/SUPPLEMENTAL DATA	
Net Assets, End of Period (Millions).....	\$5
Ratio of Expenses to Average Net Assets.....	0%
Ratio of Net Investment Income to Average Net Assets.....	0%
Portfolio Turnover Rate.....	3%

\*Annualized.

\*\*Unaudited.

\*\*\*Total return figures do not reflect the annual account maintenance fee of \$10 or applicable portfolio transaction fees.

+Commencement of Operations.

<TABLE>

<CAPTION>

<S>	TOTAL STOCK MARKET PORTFOLIO		GROWTH PORTFOLIO	
	SIX MONTHS ENDED	APRIL 27, 1992, +	SIX MONTHS ENDED	NOV. 2, 1992, +
	JUNE 30, 1993**	TO DEC. 31, 1992	JUNE 30, 1993**	TO DEC. 31, 1992
<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$10.84	\$10.00	\$10.26	\$10.00
-----				
INVESTMENT OPERATIONS				
Net Investment Income.....	.13	.23	.11	.06
Net Realized and Unrealized Gain (Loss) on Investments	.38	.84	(.38)	.26
-----				
TOTAL FROM INVESTMENT OPERATIONS.....	.51	1.07	(.27)	.32
-----				
DISTRIBUTIONS				
Dividends from Net Investment Income.....	(.12)	(.23)	(.10)	(.06)
Distributions from Realized Capital Gain.....	(.01)	--	--	--
-----				
TOTAL DISTRIBUTIONS.....	(.13)	(.23)	(.10)	(.06)
-----				
NET ASSET VALUE, END OF PERIOD.....	\$11.22	\$10.84	\$ 9.89	\$10.26
=====				
TOTAL RETURN***.....	4.73%	10.41%	(2.63)%	3.19%
=====				
RATIOS/SUPPLEMENTAL DATA				
Net Assets, End of Period (Millions).....	\$441	\$275	\$45	\$21
Ratio of Expenses to Average Net Assets.....	.20%*	.21%*	.21%*	0%
Ratio of Net Investment Income to Average Net Assets.....	2.41%*	2.42%*	2.19%*	2.85%*

Portfolio Turnover Rate..... 1% 3% 41% 2%

</TABLE>

VALUE PORTFOLIO		
	SIX MONTHS ENDED JUNE 30, 1993**	NOV. 2, 1992,++ TO DEC. 31, 1992
NET ASSET VALUE, BEGINNING OF PERIOD.....	\$10.30	\$10.00
INVESTMENT OPERATIONS		
Net Investment Income.....	.19	.07
Net Realized and Unrealized Gain (Loss) on Investments	1.06	.30
TOTAL FROM INVESTMENT OPERATIONS.....	1.25	.37
DISTRIBUTIONS		
Dividends from Net Investment Income.....	(.14)	(.07)
Distributions from Realized Capital Gain.....	--	--
TOTAL DISTRIBUTIONS.....	(.14)	(.07)
NET ASSET VALUE, END OF PERIOD.....	\$11.41	\$10.30
TOTAL RETURN***.....	12.17%	3.70%
RATIOS/SUPPLEMENTAL DATA		
Net Assets, End of Period (Millions).....	\$118	\$24
Ratio of Expenses to Average Net Assets.....	.20%*	0%
Ratio of Net Investment Income to Average Net Assets.....	3.48%*	3.46%*
Portfolio Turnover Rate.....	34%	4%

\*Annualized.

\*\*Unaudited.

\*\*\*Total return figures do not reflect the annual account maintenance fee of \$10 or applicable portfolio transaction fees.

+Commencement of Operations, excludes subscription period from March 16, 1992 to April 27, 1992.

++Commencement of Operations.

<TABLE>  
<CAPTION>

SMALL CAPITALIZATION STOCK PORTFOLIO***											
YEAR ENDED SEPTEMBER 30,											
	1993**	1992	1991	1990(1)	1989+	1988	1987	1986	1985	1984	1983
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF YEAR.	\$12.63	\$12.03	\$ 8.55	\$11.88	\$11.96	\$15.73	\$13.24	\$11.68	\$13.15	\$19.77	\$12.50
INVESTMENT OPERATIONS											
Net Investment Income (Loss).....	.20	.19	.20	.17	.10	.03	(.04)	(.01)	(.04)	.14	(.08)
Net Realized and Unrealized Gain (Loss) on Investments.....	3.73	.88	3.60	(3.46)	2.13	(2.59)	4.42	1.57	(.51)	(4.25)	8.57
TOTAL FROM INVESTMENT OPERATIONS.	3.93	1.07	3.80	(3.29)	2.23	(2.56)	4.38	1.56	(.55)	(4.11)	8.49
DISTRIBUTIONS											
Dividends from Net Investment Income.....	(.18)	(.18)	(.18)	(.04)	(.14)	--	--	--	(.15)	--	(.30)
Distributions from Realized Capital Gains.....	(.15)	(.29)	(.14)	--	(2.17)	(1.21)	(1.89)	--	(.77)	(2.51)	(.92)
TOTAL DISTRIBUTIONS.....	(.33)	(.47)	(.32)	(.04)	(2.31)	(1.21)	(1.89)	--	(.92)	(2.51)	(1.22)
NET ASSET VALUE, END OF YEAR.....	\$16.23	\$12.63	\$12.03	\$ 8.55	\$11.88	\$11.96	\$15.73	\$13.24	\$11.68	\$13.15	\$19.77
TOTAL RETURN++.....	31.60%	9.34%	45.91%	(27.73)%	18.83%	(14.30)%	38.02%	13.33%	(3.67)%	(22.89)%	70.44%

RATIOS/SUPPLEMENTAL DATA

Net Assets, End of Year (Millions)	\$432	\$202	\$111	\$40	\$20	\$27	\$35	\$31	\$32	\$37	N/A
Ratio of Expenses to Average Net Assets	.18%*	.18%	.21%	.31%	1.00%	.95%	.92%	.92%	1.00%	1.05%	1.41%
Ratio of Net Investment Income (Loss) to Average Net Assets	1.47%*	1.65%	2.11%	1.91%	.65%	.24%	(.25%)	(.06%)	(.28%)	1.11%	(.54%)
Portfolio Turnover Rate	26%*	26%	33%	40%	160%	68%	92%	92%	103%	100%	83%

<FN>

(1) Adjusted to reflect a 3-for-1 stock split as of February 3, 1990.

\*Annualized.

\*\*Unaudited.

\*\*\*Formerly Vanguard Small Capitalization Stock Fund, Inc. (the "Fund").

+Prior to September 11, 1989, Schroeder Capital Management International provided investment advisory services to the Fund. Effective September 11, 1989, The Vanguard Group, Inc. began providing investment advisory services to the Fund on an at-cost basis.

++Total return figures do not reflect the annual account maintenance fees of \$10 or applicable portfolio transaction fees.

</TABLE>

YIELD AND TOTAL

RETURN

From time-to-time a Portfolio of the Trust may advertise its yield and total return. Both yield and total return figures are based on historical earnings and are not intended to indicate future performance. The "total return" of a Portfolio refers to the average annual compounded rates of return over one-, five- and ten-year periods or for the life of the Portfolio (as stated in the advertisement) that would equate an initial amount invested at the beginning of a stated period to the ending redeemable value of the investment, assuming the reinvestment of all dividend and capital gains distributions.

The "30-day yield" of a Portfolio is calculated by dividing the net investment income per share earned during a 30-day period by the net asset value per share on the last day of the period. Net investment income includes interest and dividend income earned on a Portfolio's securities; it is net of all expenses and all recurring and nonrecurring charges that have been applied to all shareholder accounts. The yield calculation assumes that net investment income earned over 30 days is compounded monthly for six months and then annualized. Methods used to calculate advertised yields are standardized for all stock and bond mutual funds. However, these methods differ from the accounting methods used by a Portfolio to maintain its books and records, and so the advertised 30-day yield may not fully reflect the income paid to your own account or the yield reported in a Portfolio's reports to shareholders.

Additionally, the Portfolios may compare their performance to that of their comparative indexes. The target benchmarks include the Standard & Poor's 500 Composite Stock Price Index, the Wilshire 4500 Index, the Wilshire 5000 Index, the Russell 2000 Small Stock Index, the S&P/BARRA Value Index and the S&P/BARRA Growth Index.

INVESTMENT

OBJECTIVES

EACH PORTFOLIO SEEKS TO MATCH THE INVESTMENT PERFORMANCE OF ITS RESPECTIVE INDEX

The Trust is a no-load, open-end diversified investment company designed as an "index" fund. The Trust consists of six Portfolios, each of which seeks to provide investment results that correspond to a particular stock market index. The correlation between the performance of each of the Trust's Portfolios and the respective index that each Portfolio attempts to match is expected to be at least 0.95. The 500, Extended Market, Total Stock Market and Small Capitalization Stock Portfolios attempt to replicate the investment performance of broad market indexes, while the Value and Growth Portfolios attempt to replicate indexes which possess certain "value" and "growth" investment characteristics.

The pie chart below illustrates how, as measured by capitalization, the Standard & Poor's 500 Index, the Wilshire 4500 Index and the Russell 2000 Index cover the entire U.S. equity market, as represented by the Wilshire 5000 Index:

\* The 500 PORTFOLIO seeks to replicate the aggregate price

and yield performance of the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index"), an index which emphasizes large-capitalization companies.

\* The EXTENDED MARKET PORTFOLIO seeks to replicate the aggregate price and yield performance of the Wilshire 4500 Index, an index which consists of more than 5,000 medium- and small-capitalization companies that are not included in the S&P 500 Index.

\* The TOTAL STOCK MARKET PORTFOLIO seeks to replicate the aggregate price and yield performance of the Wilshire 5000 Index, an index which consists of all U.S. stocks that trade on a regular basis on either the New York or American Stock Exchange or the NASDAQ over-the-counter market. These stocks include the large-capitalization companies of the S&P 500 Index, with the exception of Royal Dutch and Unilever, N.V., which trade under the New York Stock Exchange as ADR's, as well as the medium- and small-capitalization companies of the Wilshire 4500 Index.

\* The SMALL CAPITALIZATION STOCK PORTFOLIO seeks to replicate the aggregate price and yield performance of the Russell 2000 Small Stock Index (the "Russell 2000"), a broadly diversified small capitalization index consisting of approximately 2,000 common stocks.

The pie chart below illustrates how, as measured by market capitalization, the S&P 500 Index is divided into the S&P/BARRA Value and S&P/BARRA Growth Indexes.

\* The VALUE PORTFOLIO seeks to replicate the aggregate price and yield performance of the S&P/BARRA Value Index, an index which includes stocks in the S&P 500 with lower than average ratios of market price to book value. These types of stocks are often referred to as "value" stocks.

\* The GROWTH PORTFOLIO seeks to replicate the aggregate price and yield performance of the S&P/BARRA Growth Index, an index which includes stocks in the S&P 500 with higher than average ratios of market price to book value. These types of stocks are often referred to as "growth" stocks.

There is no assurance that the Portfolios will achieve their stated objectives.

These investment objectives are fundamental and so cannot be changed without the approval of a majority of a Portfolio's shareholders.

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#### INVESTMENT POLICIES

##### ALL SIX PORTFOLIOS USE A "PASSIVE" APPROACH TO INVEST IN COMMON STOCKS

The six Portfolios of the Trust are not managed according to traditional methods of "active" investment management, which involve the buying and selling of securities based upon economic, financial and market analysis and investment judgment. Instead, the Portfolios, utilizing a "passive" or "indexing" investment approach, attempt to duplicate the investment performance of their respective indexes through statistical procedures. The Portfolios are managed without regard to tax ramifications.

The 500 PORTFOLIO invests in all 500 stocks in the S&P 500 Index in approximately the same proportions as they are represented in the Index.

The EXTENDED MARKET PORTFOLIO invests in a statistically selected sample of the more than 5,000 stocks included in the Wilshire 4500 Index. Typically, the Portfolio invests in 1,200 to 1,500 stocks. Stocks are selected for inclusion in the Portfolio based primarily on market capitalization and industry weightings. The Portfolio is constructed to have aggregate investment characteristics similar to those of the Wilshire 4500 Index.

The TOTAL STOCK MARKET PORTFOLIO invests in a statistically selected sample of the more than 6,000 stocks included in the Wilshire 5000 Index. Typically, the Portfolio invests in approximately 1,000 stocks. Stocks are selected for inclusion in the Portfolio based primarily on market capitalization and industry weightings. The Portfolio is constructed to have

aggregate investment characteristics similar to those of the Wilshire 5000 Index.

The SMALL CAPITALIZATION STOCK PORTFOLIO invests in a statistically selected sample of the approximately 2,000 stocks included in the Russell 2000 Index. Typically, the Portfolio invests in approximately 1,000 stocks. Stocks are selected for inclusion in the Portfolio based on their contribution to the Portfolio's market capitalization, industry weightings and other fundamental characteristics such as price-earnings ratios, dividend yields, price-to-book ratios and financial leverage. The stocks held by the Portfolio are weighted to make the Portfolio's aggregate investment characteristics similar to those of the Russell 2000 Index as a whole.

The VALUE PORTFOLIO invests in all of the common stocks included in the S&P/BARRA Value Index in approximately the same proportions as they are represented in the Index. As of December 31, 1993, the S&P/BARRA Value Index included 310 of the stocks that make up the S&P 500 Index, and 50% of the total market value of the Index.

The GROWTH PORTFOLIO invests in all of the common stocks included in the S&P/BARRA Growth Index in approximately the same proportions as they are represented in the Index. As of December 31, 1993, the S&P/BARRA Growth Index included 190 of the stocks that make up the S&P 500 Index, and 50% of the total market value of the Index.

ALL SIX PORTFOLIOS ATTEMPT TO REMAIN FULLY INVESTED

Each Portfolio attempts to remain fully invested in common stocks. Under normal circumstances, each Portfolio will invest at least 95% of its assets in the common stocks of its respective index and futures contracts and options. Each Portfolio may invest in certain short-term fixed income securities as cash reserves, although cash or cash

equivalents are normally expected to represent less than 1% of each Portfolio's assets. Each Portfolio may also invest up to 20% of its assets in stock futures contracts and options in order to invest uncommitted cash balances, to maintain liquidity to meet shareholder redemptions, or to minimize trading costs. The Portfolios will not invest in cash reserves, futures contracts or options as part of a temporary defensive strategy, such as lowering a Portfolio's investment in common stocks to protect against potential stock market declines. The Portfolios intend to remain fully invested, to the extent practicable, in a pool of securities which will duplicate the investment characteristics of their respective indexes. See "Implementation of Policies" for a description of these and other investment practices of the Trust.

These investment policies are not fundamental and so may be changed by the Board of Trustees without shareholder approval.

INVESTMENT

RISKS

EACH PORTFOLIO IS SUBJECT TO MARKET RISK

As mutual funds investing primarily in common stocks, the Portfolios of the Trust are subject to market risk -- i.e., the possibility that common stock prices will decline over short or even extended periods. The U.S. stock market tends to be cyclical, with periods when stock prices generally rise and periods when prices generally decline.

To illustrate the volatility of stock prices, the following table sets forth the extremes for stock market returns as well as the average return for the period from 1926 to 1993, as measured by the S&P 500 Composite Stock Price Index:

<TABLE>

<CAPTION>

U.S. STOCK MARKET RETURNS (1926-1993)  
OVER VARIOUS TIME HORIZONS

	1 YEAR	5 YEARS	10 YEARS	20 YEARS
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Best	+53.9%	+23.9%	+20.1%	+16.9%
Worst	-43.3	-12.5	- 0.9	+ 3.1
Average	+12.3	+10.3	+10.6	+10.6

</TABLE>



As shown, from 1926 to 1993, common stocks, as measured by the S&P 500 Index, have provided an annual total return (capital appreciation plus dividend income), on average, of +12.3%. While this average return can be used as a guide for setting reasonable expectations for future stock market returns, it may not be useful for forecasting future returns in any particular period, as stock returns are quite volatile from year-to-year.

THE EXTENDED MARKET, TOTAL STOCK MARKET AND SMALL CAPITALIZATION STOCK PORTFOLIOS MAY EXHIBIT GREATER VOLATILITY

Historically, medium- and small-market capitalization stocks have been more volatile in price than the larger-capitalization stocks included in the S&P 500 Index. Among the reasons for the greater price volatility of these securities are the less certain growth prospects of smaller firms, the lower degree of liquidity in the markets for such stocks, and the greater sensitivity of small- and medium-size companies to changing economic conditions. Besides exhibiting greater volatility, medium and small company stocks may, to a degree, fluctuate independently of larger company stocks.

Medium and small company stocks may decline in price as large company stocks rise, or rise in price as large company stocks decline. Medium and small company stocks constitute the investments of the Extended Market Portfolio while the Small Capitalization Stock Portfolio is composed primarily of small company stocks. Investors in the Portfolios should therefore expect that the Extended Market and Small Capitalization Stock Portfolios will be more volatile than, and may fluctuate independently of, the 500 Portfolio.

Similarly, medium and small company stocks constituted approximately 33% of the net assets of the Total Stock Market Portfolio on December 31, 1993. Investors in the Portfolio should therefore anticipate somewhat greater price volatility in the Total Stock Market Portfolio relative to the 500 Portfolio.

THE VALUE AND GROWTH PORTFOLIOS MAY FLUCTUATE INDEPENDENTLY

Stocks that emphasize particular investment characteristics, such as "value" and "growth," may fluctuate divergently from the broad market as represented by the S&P 500 Index, and may also demonstrate greater volatility over short or extended periods relative to the broad market.

The S&P/BARRA Value Index maintains a lower price-to-book ratio and historically has had a higher yield than the S&P 500 Index, while the S&P/BARRA Growth Index maintains a higher price-to-book and historically has had a lower yield than the S&P 500 Index. Because of these investment characteristics, the S&P/BARRA Value Index has exhibited somewhat less short-term volatility than the S&P 500 Index, while the S&P/BARRA Growth Index has displayed somewhat greater short-term volatility than the S&P 500 Index from 1975 through 1992. However, as stated above, both Indexes may be more volatile than the S&P 500 Index over short or extended periods. The Indexes have been in existence since May, 1992. Historical performance data was generated by BARRA by constructing the S&P/BARRA Value and Growth Indexes from actual S&P 500 Index holdings.

-----  
WHO SHOULD INVEST LONG-TERM INVESTORS SEEKING A "PASSIVE" APPROACH FOR INVESTING IN COMMON STOCKS

All six Portfolios of the Trust are designed for long-term investors seeking the advantages of a low-cost, "passive" approach for investing in a diversified portfolio of common stocks. Unlike other equity mutual funds, which generally seek to "beat" stock market averages with unpredictable results, all six Portfolios seek to "match" their respective indexes and thus are expected to provide a highly predictable return relative to their benchmarks.

Four Portfolios of the Trust provide a vehicle for investing in a broad market index:

- \* The 500 PORTFOLIO is designed for investors seeking to replicate the total return of the S&P 500 Index, an index emphasizing large capitalization common stocks.
- \* The EXTENDED MARKET PORTFOLIO is designed for investors seeking to replicate the total return of the Wilshire 4500 Index, an index consisting of small and medium capitalization companies.

\* The TOTAL STOCK MARKET PORTFOLIO is designed for investors seeking to replicate the total return of the Wilshire 5000 Index, an index consisting of all U.S. stocks that trade on a regular basis on either the New York or American Stock Exchange or the NASDAQ over-the-counter market. The Total Stock Market Portfolio will therefore reflect the performance of the entire U.S. stock market.

\* The SMALL CAPITALIZATION STOCK PORTFOLIO is designed for investors seeking to replicate the total return of the Russell 2000 Small Stock Index, an index consisting of approximately 2,000 small capitalization stocks.

Two Portfolios are designed for investors seeking to emphasize certain investment characteristics while continuing to utilize a "passive" investment approach:

\* The VALUE PORTFOLIO is designed for investors seeking to replicate the total return of the S&P/BARRA Value Index, an index consisting of companies of the S&P 500 Index with lower than average market price to book value ratios. Such a "value-oriented" Portfolio may be appropriate for more conservative stock market investors who are seeking higher dividend income and somewhat below average stock market volatility.

\* The GROWTH PORTFOLIO is designed for investors seeking to replicate the total return of the S&P/BARRA Growth Index, an index consisting of companies of the S&P 500 Index with higher than average market price to book value ratios. Such a "growth-oriented" Portfolio may be appropriate for investors who have little need for current dividend income and who can tolerate somewhat above average stock market volatility.

The share price of each Portfolio is expected to be volatile, and investors should be able to tolerate sudden, sometimes substantial fluctuations in the value of their investment. No assurance can be given that the Portfolios will achieve their stated objectives or that shareholders will be protected from the risks inherent in equity investing. Investors may wish to purchase shares on a regular, periodic basis (dollar-cost averaging) rather than investing in one lump sum in order to reduce the risk of investing all their monies in common stocks at a particularly unfavorable time.

Because of the risks associated with common stock investments, the Trust is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculating on short-term stock market movements. Investors should not consider the Trust a complete investment program, but should maintain holdings of securities with different risk characteristics--including common stocks, bonds and money market instruments. Investors may also wish to complement an investment in the Trust with other types of common stock investments.

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IMPLEMENTATION  
OF POLICIES

Each Portfolio of the Trust utilizes a number of investment practices in an effort to match the investment performance of its respective index.

THE 500 PORTFOLIO INVESTS IN ALL 500  
S&P STOCKS

The 500 Portfolio attempts to duplicate the investment results of the S&P 500 Index by holding all 500 stocks in approximately the same proportions as they are represented in the Index. This indexing technique is known as "complete replication."

The S&P 500 Index is composed of 500 common stocks, which are chosen by Standard & Poor's Corporation on a statistical basis to be included in the Index. The inclusion of a stock in the S&P 500 Index in no way implies that Standard & Poor's Corporation believes the stock to be an attractive

investment. The 500 securities, most of which trade on the New York Stock Exchange, represented, as of December 31, 1993, approximately 67.4% of the market value of all U.S. common stocks. Each stock in the S&P 500 Index is weighted by its market value.

Because of the market-value weighting, the 50 largest

companies in the S&P 500 Index currently account for approximately 50% of the Index. Typically, companies included in the S&P 500 Index are the largest and most dominant firms in their respective industries. As of December 31, 1993, the five largest companies in the Index were: General Electric (2.7%), Exxon Corporation (2.4%), AT&T (2.2%), Wal-Mart Stores (1.8%) and Coca Cola (1.7%). The largest industry categories were international oil companies (7.2%), telephone companies (6.0%), electric power (4.8%), electrical equipment (3.8%) and diversified health care companies (3.6%).

THE EXTENDED MARKET PORTFOLIO INVESTS IN MEDIUM AND SMALL COMPANY STOCKS

While the S&P 500 Index includes the preponderance of large market capitalization stocks, it excludes most of the medium and small companies which comprise the remaining 33% of the capitalization of the U.S. stock market. The Wilshire 4500 Index consists of all U.S. stocks that are not in the S&P 500 Index and that trade regularly on the New York and American Stock Exchanges as well as in the NASDAQ over-the-counter market. More than 5,000 stocks of mid-sized and small capitalization companies are included in the Wilshire 4500 Index.

The Extended Market Portfolio will be unable to hold all of the more than 5,000 issues which comprise the Wilshire 4500 Index because of the costs involved and the illiquidity of many of the securities. Instead, the Portfolio will hold a representative sample of the securities in the Wilshire 4500 Index.

THE TOTAL STOCK MARKET PORTFOLIO INVESTS IN A SAMPLE OF ALL U.S. STOCKS

Neither the S&P 500 Index nor the Wilshire 4500 Index independently represents the U.S. stock market as a whole. The Wilshire 5000 Index, which consists of all regularly and publicly traded U.S. stocks, provides a complete proxy for the U.S. stock market. More than 6,000 stocks, including large, medium, and small capitalization companies are included in the Wilshire 5000 Index.

The following table illustrates the changing proportions that the S&P 500 Index and the Wilshire 4500 Index have represented in the Wilshire 5000 Index since 1984.

<TABLE>  
<CAPTION>

WILSHIRE 5000 INDEX

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
S&P 500 Index.....	69%	69%	70%	71%	71%	73%	72%	75%	71%	67%
Wilshire 4500 Index.....	31%	31%	30%	29%	29%	27%	28%	25%	29%	33%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

</TABLE>

In an effort to replicate the investment performance of the Wilshire 5000 Index, the Total Stock Market Portfolio will invest in approximately 1,000 of the largest stocks in the index and an additional representative sample of the remaining stocks. As in the case for the Extended Market Portfolio, the high transaction costs and illiquidity of many

of the smaller stocks make complete replication of the Wilshire 4500 Index's holdings impractical.

The Extended Market and Total Stock Market Portfolios are not sponsored, endorsed, sold or promoted by Wilshire Associates. Wilshire(R) and Wilshire 5000(R) are registered service marks of Wilshire Associates.

THE SMALL CAPITALIZATION STOCK PORTFOLIO INVESTS IN SMALL COMPANY STOCKS

The Small Capitalization Stock Portfolio attempts to duplicate the investment results of the Russell 2000 Index by investing in approximately 1,000 of the 2,000 stocks in the Russell 2000 Index. The Russell 2000 Index is composed of approximately 2,000 small capitalization common stocks. A company's stock market capitalization is the total market value of its floating outstanding shares. As of September 30, 1993, the average stock market capitalization of the Russell 2000 was \$360 million. As in the case of the Extended Market Portfolio, the high transaction costs and illiquidity of many of the small stocks contained in the Russell 2000 Index make complete replication of the holdings impractical.

The Portfolio is neither sponsored by nor affiliated with the Frank Russell Company. Frank Russell's only relationship to

the Portfolio is the licensing of the use of the Russell 2000 Small Stock Index. Frank Russell Company is the owner of the trademarks and copyrights relating to the Russell indexes.

#### THE EXTENDED MARKET, TOTAL STOCK MARKET AND SMALL CAPITALIZATION STOCK PORTFOLIOS USE SAMPLING TECHNIQUES

The stocks of the Wilshire 4500 Index to be included in the Extended Market Portfolio will be selected utilizing a statistical sampling technique known as "optimization." This process selects stocks for the Portfolio so that various industry weightings, market capitalizations, and fundamental characteristics (e.g. price-to-book, price-to-earnings, debt to asset ratios, and dividend yields) closely approximate those of the appropriate Index. For instance, if 10% of the capitalization of the Wilshire 4500 Index consists of utility companies with relatively large stock market capitalizations, then the Extended Market Portfolio is constructed so that approximately 10% of the Portfolio's assets are invested in the stocks of utility companies with relatively large capitalizations. The Total Stock Market and Small Capitalization Stock Portfolios are constructed using a sampling technique known as optimization.

This sampling technique is expected to be an effective means of substantially duplicating the income and capital returns of the Extended Market, Total Stock Market and Small Capitalization Stock Portfolios target benchmarks. Over time, the correlation between the performance of the Extended Market, Total Stock Market and Small Capitalization Stock Portfolios and their respective indexes, the Wilshire 4500 Index, Wilshire 5000 Index and Russell 2000 Index is expected to be at least 0.95. A correlation of 1.00 would indicate perfect correlation, which would be achieved when the net asset value of a Portfolio, including the value of its dividend and capital gains distributions, increases or decreases in exact proportion to changes in the respective target benchmark.

Due to the use of the sampling technique, neither the Extended Market Portfolio, Total Stock Market Portfolio nor the Small Capitalization Stock Portfolio is expected to track its benchmark index with the same degree of accuracy as evidenced by the high degree of correlation between the 500 Portfolio and its benchmark. However, the principal advantage

of this technique is to provide an efficient means to invest in the universe of stocks. In particular, the three Portfolios are expected to provide broad diversification, and should operate at low costs due both to their "passive" approach to portfolio management and low portfolio turnover rate.

#### THE VALUE AND GROWTH PORTFOLIOS EMPHASIZE STOCKS WITH CERTAIN INVESTMENT CHARACTERISTICS

In an effort to duplicate the investment results of their respective indexes, the Value and Growth Portfolios will utilize "complete replication," the same indexing technique used for the 500 Portfolio. Specifically, the Value and Growth Portfolios will hold all of the stocks included in the S&P/BARRA Value and Growth Indexes, respectively, in approximately the same proportions as those stocks are represented in the Indexes.

Standard & Poor's Corporation constructs the S&P/BARRA Value and Growth Indexes semi-annually by ranking all common stocks included in the S&P 500 Index by their price-to-book ratios. The resulting list is then divided in half by market capitalization. Those companies representing half of the market capitalization of the S&P 500 Index and having lower price-to-book ratios are included in the S&P/BARRA Value Index; the remaining companies are incorporated in the S&P/BARRA Growth Index. On December 31, 1993, after the semi-annual reconstitution of the indexes, the S&P/BARRA Value Index consisted of 310 common stocks in the S&P 500 Index, while the S&P/BARRA Growth Index consisted of the remaining 190. Each Index represented half of the market capitalization of the S&P 500 Index.

Investment managers may use a number of different methods to classify stocks as "value" or "growth". There may also be other ways to define benchmarks for "value" and "growth" investing. If other methods were applied to the companies comprising the S&P/BARRA Value and Growth Indexes, the classification of the stocks as "growth" or "value" might be different.

Typically, the stocks included in the S&P/BARRA Value Index exhibit above-average dividend yields and lower price-to-book ratios. By comparison, the stocks included in the S&P/BARRA Growth Index exhibit below-average dividend yields and higher price-to-book ratios. As of December 31, 1993, the five largest companies in the S&P/BARRA Value Index were Exxon Corp., Royal Dutch Petroleum Co., DuPont EI de Nemour, IBM, and Mobil; the five largest companies in the S&P/BARRA Growth Index were Wal Mart Stores, General Electric Co., Exxon Corporation, American Telephone & Telegraph, and Coca Cola Co.

The 500, Value and Growth Portfolios are not sponsored, endorsed, sold or promoted by Standard & Poor's Corporation ("S&P"). S&P makes no representations or warranty, implied or expressed, to the purchasers of the Portfolios or any member of the public regarding the advisability of investing in index funds or the ability of the S&P 500, S&P/BARRA Value and S&P/BARRA Growth Indexes to track general stock market performance or to track the general performance of value and growth stocks. S&P does not guarantee the accuracy and/or the completeness of the S&P 500, S&P/BARRA Value and S&P/BARRA Growth Indexes or any data included herein.

S&P's only relationship to the Portfolios is the licensing of the S&P marks and the S&P 500, S&P/BARRA Value and S&P/BARRA Growth Indexes, which are determined composed and calculated by S&P without regard to the 500, Value and Growth Portfolios.

#### EACH PORTFOLIO MAY INVEST IN SHORT-TERM FIXED INCOME SECURITIES

Although all six Portfolios normally seek to remain substantially fully invested in common stocks, the Portfolios of the Trust may invest temporarily in certain short-term fixed income securities. Such securities may be used to invest uncommitted cash balances or to maintain liquidity to meet shareholder redemptions. These securities include: obligations of the United States Government and its agencies or instrumentalities; commercial paper, bank certificates of deposit, and bankers' acceptances; and repurchase agreements collateralized by these securities.

#### EACH PORTFOLIO MAY USE FUTURES CONTRACTS AND OPTIONS

Each Portfolio of the Trust may utilize stock futures contracts and options to a limited extent. Specifically, each Portfolio may enter into futures contracts provided that not more than 5% of its assets are required as a futures contract deposit; in addition, each Portfolio may enter into futures contracts and options transactions only to the extent that obligations under such contracts or transactions represent not more than 20% of each Portfolio's assets.

Futures contracts and options may be used for several reasons: to maintain cash reserves while simulating full investment; to facilitate trading; to reduce transaction costs; or to seek higher investment returns when a futures contract is priced more attractively than the underlying equity security or index. While futures contracts and options can be used as leveraged investments, a Portfolio may not use futures contracts or options to leverage its net assets.

#### FUTURES CONTRACTS AND OPTIONS POSE CERTAIN RISKS

The primary risks associated with the use of futures contracts and options are: (i) imperfect correlation between the change in market value of the stocks held by a Portfolio and the prices of futures contracts and options; and (ii) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position when desired. The risk of imperfect correlation will be minimized by investing only in those contracts whose behavior is expected to resemble that of the Portfolio's underlying securities. The risk that a Portfolio will be unable to close out a futures position will be minimized by entering into such transactions on a national exchange with an active and liquid secondary market.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result a relatively small price movement in a futures contract may result in immediate and substantial loss (or gain) to the investor. When investing in futures contracts, the Trust will segregate cash or cash equivalents in the amount of the underlying obligation.

Since there are no futures traded on the S&P/BARRA Value or

Growth Indexes, it will be necessary for the Value and Growth Portfolios to utilize a composite of other futures contracts to simulate the performance of each of these Indexes. This process may magnify the "tracking error" of each Portfolio's performance compared to that of the Indexes, due to lower correlation of the selected futures with the Indexes. The

investment adviser will attempt to reduce this tracking error by investing in futures contracts whose behavior is expected to resemble that of the underlying securities, although there can be no assurance that these selected futures will perfectly correlate with the performance of the indexes.

Each Portfolio may also invest in swap agreements within the limitations set forth above. Swap agreements are contracts between parties in which one party agrees to make payments to the other party based on the change in market value of a specified index or asset. Although swap agreements entail the risk that a party will default on its payment obligations thereunder, the Portfolios will minimize this risk by remaining fully collateralized at all times and by marking the securities subject to the swap agreement to market daily.

EACH PORTFOLIO MAY LEND ITS SECURITIES

Each Portfolio of the Trust may lend its investment securities to qualified institutional investors for either short-term or long-term purposes of realizing additional income. Loans of securities by a Portfolio will be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities, and such loans may not exceed 331/3% of the value of the Portfolio's securities.

PORTFOLIO TURNOVER IS EXPECTED TO BE LOW

Although each Portfolio generally seeks to invest for the long term, the six Portfolios of the Trust retain the right to sell securities irrespective of how long they have been held. However, because of the "passive" investment management approach of the Trust, the portfolio turnover rate for each Portfolio is expected to be under 50%, a generally lower turnover rate than for most other investment companies. A portfolio turnover rate of 50% would occur if one half of a Portfolio's securities were sold within one year. Ordinarily, securities will be sold from a Portfolio only to reflect certain administrative changes in an index (including mergers or changes in the composition of an index) or to accommodate cash flows into and out of each Portfolio while maintaining the similarity of a Portfolio to its benchmark index.

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INVESTMENT  
LIMITATIONS  
THE TRUST HAS ADOPTED  
CERTAIN FUNDAMENTAL  
LIMITATIONS

The Trust has adopted certain limitations on its investment practices. Specifically, each Portfolio of the Trust will not:

- (a) with respect to 75% of its assets, purchase securities of any issuer (except obligations of the U.S. Government and its instrumentalities) if, as a result, more than 5% of the value of the Portfolio's assets would be invested in the securities of such issuer;
- (b) with respect to 75% of its assets, purchase more than 10% of the voting securities of any issuer;
- (c) invest more than 5% of assets in the securities of companies that have a continuous operating history of less than three years;
- (d) invest more than 25% of its assets in any one industry; and
- (e) borrow money, except that a Portfolio may borrow from banks (or through reverse repurchase agreements), for temporary or emergency (not leveraging)

purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities, in an amount not exceeding 15% of the value of the Portfolio's net assets (including the amount borrowed and the value of any outstanding reverse repurchase agreements) at the time the borrowing is made. Whenever borrowing exceed 5% of the value of a Portfolio's net assets, the Portfolio will not make any additional investments.

These investment limitations are considered at the time

investment securities are purchased. The limitations described here and in the Statement of Additional Information may be changed only with the approval of a majority of a Portfolio's shareholders.

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MANAGEMENT  
OF THE TRUST  
VANGUARD ADMINISTERS AND DISTRIBUTES THE TRUST

The Trust is a member of The Vanguard Group of Investment Companies, a family of 32 investment companies with 77 distinct portfolios and total assets in excess of \$120 billion. Through their jointly owned subsidiary, The Vanguard Group, Inc. ("Vanguard"), the Trust and the other Funds in the Group obtain at cost virtually all of their corporate management, administrative and distribution services. Vanguard also provides investment advisory services on an at-cost basis to certain Vanguard Funds. As a result of Vanguard's unique corporate structure, the Vanguard Funds have costs substantially lower than those of most competing mutual funds. In 1992, the average expense ratio (annual costs including advisory fees divided by total net assets) for the Vanguard Funds amounted to .31% compared to an average of 1.03% for the mutual fund industry (data provided by Lipper Analytical Services).

The Officers of the Trust manage its day-to-day operations and are responsible to the Trust's Board of Trustees. The Trustees set broad policies for the Trust and choose its Officers. A list of the Trustees and Officers of the Trust and a statement of their present positions and principal occupations during the past five years can be found in the Statement of Additional Information.

Vanguard employs a supporting staff of management and administrative personnel needed to provide the requisite services to the funds and also furnishes the funds with necessary office space, furnishings and equipment. Each fund pays its share of Vanguard's total expenses, which are allocated among the funds under methods approved by the Board of Trustees (Directors) of each fund. In addition, each fund bears its own direct expenses, such as legal, auditing and custodian fees.

Vanguard provides distribution and marketing services to the funds. The funds are available on a no-load basis (i.e., there are no sales commissions or 12b-1 fees). However, each fund bears its share of the Group's distribution costs.

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INVESTMENT  
ADVISER  
VANGUARD MANAGES  
THE TRUST ON AN  
AT-COST BASIS

The six Portfolios of the Trust receive all investment advisory services on an at-cost basis from Vanguard's Core Management Group. The Core Management Group also provides investment advisory services to several other Vanguard Funds, including Vanguard International Equity Index Fund, Vanguard Institutional Index Fund, Vanguard Balanced Index Fund, Vanguard Variable Insurance Fund -- Equity Index Portfolio, and a portion of Vanguard/Windsor II, as well as to several indexed separate accounts. Total assets under management by the Core Management Group were \$16.3 billion as of December 31, 1993. The Trust is not actively managed, but is instead administered by the Core Management Group using computerized, quantitative techniques. The Core Management Group is supervised by the Officers of the Trust.

In placing portfolio transactions, the Core Management Group uses its best judgment to choose the broker most capable of providing the brokerage services necessary to obtain the best available price and most favorable execution at the lowest commission rate. The full range and quality of brokerage services available are considered in making these determinations. In those instances where it is reasonably determined that more than one broker can offer the services needed to obtain the best available price and most favorable execution, consideration may be given to those brokers which supply statistical information and provide other services in addition to execution services to the Trust.

The Trust's Board of Trustees may, without the approval of shareholders, provide for: (a) the employment of a new investment adviser pursuant to the terms of a new advisory

agreement either as a replacement for an existing adviser or as an additional adviser; (b) a change in the terms of an advisory agreement; and (c) the continued employment of an existing adviser on the same advisory contract terms where a contract has been assigned because of a change in control of the adviser. Any such change will only be made upon not less than 30 days prior written notice to shareholders of the Trust which shall include substantially the information concerning the adviser that would have normally been included in a proxy statement.

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 PERFORMANCE  
 RECORD

The tables in this section provide investment results for the 500 and Extended Market Portfolios of the Trust for several periods throughout the Trust's lifetime. The results shown represent "total return" investment performance, which assumes the reinvestment of all capital gains and income dividends for the indicated periods. Also included is comparative information with respect to the unmanaged S&P 500 Composite Stock Price Index, the Wilshire 4500 Index and the Russell 2000 Index. The results for the Portfolios are net of all expenses while the results of the stock indexes are hypothetical and make no allowances for the costs of investing. The tables do not make any allowance for federal, state or local income taxes, which shareholders must pay on a current basis. The Total Stock Market, Value and Growth Portfolios were introduced in 1992, and so long-term investment results are not yet available.

The results shown should not be considered a representation of the total return from an investment made in the Trust today. The periods shown were generally favorable ones for stock market investing. This information is provided to help investors better understand the Trust and may not provide a basis for comparison with other investments or mutual funds which use a different method to calculate performance.

<TABLE>  
 <CAPTION>

AVERAGE ANNUAL TOTAL RETURN FOR VANGUARD INDEX TRUST--500 PORTFOLIO		
FISCAL PERIODS ENDED 12/31/93	500 PORTFOLIO*	S&P 500 INDEX
<S>	<C>	<C>
1 Year	+ 9.9%	+10.1%
5 Years	+14.3	+14.5
10 Years	+14.6	+14.9
Lifetime**	+13.3	+13.7

<FN>  
 \*Exclusive of \$10 annual account maintenance fee.  
 \*\*August 31, 1976 to December 31, 1993.

</TABLE>  
 <TABLE>  
 <CAPTION>

AVERAGE ANNUAL TOTAL RETURN FOR VANGUARD INDEX TRUST-- EXTENDED MARKET PORTFOLIO		
FISCAL PERIODS ENDED 12/31/93	EXTENDED MARKET PORTFOLIO*	WILSHIRE 4500 INDEX
<S>	<C>	<C>
1 Year	+13.3%	+14.6%
5 Years	+14.0	+14.5
Lifetime**	+14.9	+15.5

<FN>  
 \*Includes 1% portfolio transaction fee but exclusive of \$10 annual account maintenance fee.  
 \*\*December 21, 1987 to December 31, 1993.

</TABLE>  
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AVERAGE ANNUAL TOTAL RETURN FOR VANGUARD INDEX TRUST-- SMALL CAPITALIZATION STOCK PORTFOLIO+		
FISCAL PERIODS	SMALL CAPITALIZATION	RUSSELL 2000



ENDED 9/30/93

STOCK PORTFOLIO\*

INDEX

<S>	<C>	<C>
1 Year	+30.3%	+33.2%
3 Years	+27.6	+28.1
Since September 11, 1989	+10.3	N/A

\*Includes 1% portfolio transaction fee but exclusive of \$10 annual account maintenance fee.

+Formerly Vanguard Small Capitalization Stock Fund, Inc.

</TABLE>

DIVIDENDS,  
CAPITAL GAINS  
AND TAXES

FOUR PORTFOLIOS PAY QUARTERLY DIVIDENDS; THE EXTENDED MARKET AND SMALL CAPITALIZATION STOCK PORTFOLIOS PAYS DIVIDENDS ONCE A YEAR

The Trust distributes substantially all of its net investment income in the form of dividends. The 500, Total Stock Market, Value and Growth Portfolios pay quarterly dividends, while the Extended Market and Small Capitalization Stock Portfolios pay annual dividends. For all six Portfolios, net capital gains, if any, are distributed annually. A Portfolio's dividend and capital gains distributions are automatically reinvested in additional shares. Each Portfolio of the Trust intends to continue to qualify for taxation as a "regulated investment company" under the Internal Revenue Code so that each Portfolio will not be subject to federal income tax to the extent its income is distributed to shareholders.

If you utilize a Portfolio of the Trust as a investment option in an employer-sponsored retirement savings plan, dividend and capital gains distributions from the Portfolio ordinarily will not be subject to current taxation, but will accumulate on a tax-deferred basis. In general, employer-sponsored retirement and savings plans are governed by complex tax rules. If you participate in such a plan, consult your plan administrator, your plan's Summary Plan Description, or a professional tax adviser regarding the tax consequences of your participation in the plan and of any plan contributions or withdrawals.

THE SHARE  
PRICE OF  
EACH PORTFOLIO

The share price or "net asset value" per share of each Portfolio is determined by dividing the total market value of the Portfolio's investments and other assets, less any liabilities, by the number of outstanding shares of the Portfolio. Net asset value per share is determined once daily at the close of regular trading on the New York Stock Exchange (generally 4:00 p.m. Eastern time). Portfolio securities that are listed on a securities exchange are valued at the last quoted sales price on the day the valuation is made. Price information on listed securities is taken from the exchange where the security is primarily traded by the Portfolio. Securities which are listed on an exchange and which are not traded on the valuation date are valued at the mean of the bid and ask prices. For the 500, Value and Growth Portfolios, unlisted securities for which market quotations are not readily available are valued at the latest quoted bid price. For the Extended Market, Total Stock Market and Small Capitalization Stock Portfolios, unlisted securities for which market quotations are not readily available are valued at the mean of the bid and ask prices. Temporary cash investments are valued at amortized cost which approximates market value. Securities for which no current quotations are readily available are valued at fair market value as determined in good faith by the Trustees. Securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the fair market value of such securities. Each Portfolio's share price can be found daily in the mutual fund listings of most major newspapers under the heading of The Vanguard Group.

GENERAL  
INFORMATION

The Trust is a Pennsylvania business trust. The Declaration of Trust permits the Trustees to issue an unlimited number of shares of beneficial interest with no par value. The Board of Trustees has the power to designate one or more classes or

series of shares of common stock and to classify or reclassify any unissued shares with respect to such series. Currently, the Trust is offering shares of six series. The shares of each series are fully paid and non-assessable; have no preference as to conversion, exchange, dividends, retirement or other features; and have no pre-emptive rights. Such shares have non-cumulative voting rights, meaning that the holders of more than 50% of the shares voting for the election of Trustees can elect 100% of the Trustees if they so choose.

Annual meetings of shareholders will not be held except as required by the Investment Company Act of 1940 and other applicable law. An annual meeting will be held to vote on the removal of a Trustee or Trustees of the Trust if requested in writing by the holders of not less than 10% of the outstanding shares of the Trust.

All securities and cash for the 500, Extended Market, Total Stock Market and Small Capitalization Stock Portfolios are held by State Street Bank and Trust Company, Boston, MA. All securities and cash for the Value and Growth Portfolios are held by CoreStates National Bank, Philadelphia, PA. The Vanguard Group, Inc., Valley Forge, PA, serves as the Trust's Transfer and Dividend Disbursing Agent. Price Waterhouse serves as independent accountants for the Trust and will audit its financial statements annually. The Trust is not involved in any litigation.

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#### SERVICE GUIDE

##### PARTICIPATING IN YOUR PLAN

All six Portfolios of the Trust are available as an investment option in your retirement or savings plan. The administrator of your plan or your employee benefits office can provide you with detailed information on how to participate in your plan and how to elect a Portfolio of the Trust as an investment option.

If you have any questions about a Portfolio, including the Portfolio's investment objective, policies, risk characteristics or historical performance, please contact Participant Services at 1-800-523-1188.

If you have questions about your account, contact your plan administrator or the organization which provides recordkeeping services for your plan.

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##### INVESTMENT OPTIONS AND ALLOCATIONS

You may be permitted to elect different investment options, alter the amounts contributed to your plan, or change how contributions are allocated among your investment options in accordance with your plan's specific provisions. See your plan administrator or employee benefits office for more details.

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##### TRANSACTIONS IN FUND SHARES

Contributions, exchanges or redemptions of a Portfolio's shares are effective when received in "good order" by Vanguard. "Good order" means that complete information on the contribution, exchange or redemption and the appropriate monies have been received by Vanguard.

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##### MAKING EXCHANGES

Your plan may allow you to exchange monies from one investment option to another. Check with your plan administrator for details on the rules governing exchanges in your plan. Certain investment options, particularly company stock or investment contracts, may be subject to unique restrictions.

Before making an exchange, you should consider the following:

- \* If you are making an exchange to another Vanguard Fund option, please read the Fund's prospectus. Contact Participant Services at 1-800-523-1188 for a copy.
  - \* Exchanges are accepted by Vanguard only as permitted by your plan. Your plan administrator can explain how frequently exchanges are allowed.
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PART B  
VANGUARD INDEX TRUST

STATEMENT OF ADDITIONAL INFORMATION  
JANUARY 28, 1994

This Statement is not a prospectus but should be read in conjunction with the Trust's current Prospectus (dated January 28, 1994). To obtain the Prospectus please call:

VANGUARD INVESTOR INFORMATION CENTER  
1-800-662-7447

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INVESTMENT OBJECTIVE AND POLICIES

REPURCHASE AGREEMENTS

Each Portfolio of the Trust may invest in repurchase agreements with commercial banks, brokers or dealers either for defensive purposes due to market conditions or to generate income from its excess cash balances. A repurchase agreement is an agreement under which the Portfolio acquires a money market instrument (generally a security issued by the U.S. Government or an agency thereof, a banker's acceptance or a certificate of deposit) from a commercial bank, broker or dealer, subject to resale to the seller at an agreed upon price and date (normally, the next business day). A repurchase agreement may be considered a loan collateralized by securities. The resale price reflects an agreed upon interest rate effective for the period the instrument is held by the Portfolio and is unrelated to the interest rate on the underlying instrument. In these transactions, the securities acquired by the Portfolio (including accrued interest earned thereon) must have a total value in excess of the value of the repurchase agreement and are held by the Trust's custodian banks until repurchased. In addition, the Board of Trustees will monitor the Trust's repurchase agreement transactions generally and will establish guidelines and standards for review of the creditworthiness of any bank, broker or dealer party to a repurchase agreement with the Trust. No more than an aggregate of 10% of a Portfolio's assets (15% with respect to the Value and Growth Portfolios), at the time of investment, will be invested in repurchase agreements having maturities longer than seven days and securities subject to legal or contractual restrictions on resale, or for which there are no readily available market quotations.

The use of repurchase agreements involves certain risks. For example, if the other party to the agreement defaults on its obligation to repurchase the underlying security at a time when the value of the security has declined, the Portfolio may incur a loss upon disposition of the security. If the other party to the agreement becomes insolvent and subject to liquidation or reorganization under the Bankruptcy Code or other laws, a court may determine that the underlying security is collateral for a loan by the Portfolio not within the control of the Portfolio and therefore the Portfolio may not be able to substantiate its interest in the underlying security and may be deemed an unsecured creditor of the other party to the agreement. While the Trust's management acknowledges these risks, it is expected that they can be controlled through careful monitoring procedures.

LENDING OF SECURITIES

Each Portfolio of the Trust may lend its securities to qualified institutional investors who need to borrow securities in order to complete certain transactions, such as covering short sales, avoiding failures to deliver securities or completing arbitrage operations. By lending its portfolio securities, a Portfolio attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur during the term of the loan would be for the account of the Portfolio. The Portfolio may lend its portfolio securities to qualified brokers, dealers, banks or other financial institutions, so long as the terms, the structure and the aggregate amount of such loans are not inconsistent with the Investment Company Act of 1940, or the Rules and Regulations or interpretations of the Securities and Exchange Commission (the "Commission") thereunder, which currently require that (a) the borrower pledge and maintain with the Trust collateral consisting of cash, a letter of credit issued by a domestic U.S. bank, or securities issued or

guaranteed by the United States Government having at all times not less than 100% of the value of the securities loaned, (b) the borrower add to such collateral whenever the price of the securities loaned rises (i.e. the borrower "marks to the market" on a daily basis), (c) the loan be made subject to termination by the Trust at any time and (d) the Portfolio receive reasonable interest on the loan (which may include the Portfolio's investing any cash collateral in interest bearing short-term investments), any distribution on the loaned securities and any increase in their market value. Loan arrangements made by the Trust will comply with all other applicable regulatory requirements, including the rules of the New York Stock Exchange, which rules presently require the borrower, after notice, to redeliver the securities within the normal settlement time of five business days. All relevant facts and circumstances, including the creditworthiness of the broker, dealer or institution, will be considered in making decisions with respect to the lending of securities, subject to review by the Board of Trustees.

At the present time, the Staff of the Commission does not object if an investment company pays reasonable negotiated fees in connection with loaned securities, so long as such fees are set forth in a written contract and approved by the investment company's trustees. In addition, voting rights may pass with the loaned securities, but if a material event will occur affecting an investment on loan, the loan must be called and the securities voted.

#### FUTURES CONTRACTS

Each Portfolio of the Trust may enter into futures contracts, options, and options on futures contracts for the purpose of simulating full investment and reducing transactions costs. The Trust does not use futures or options for speculative purposes. Each Portfolio will only use futures and options to simulate full investment in the underlying index while retaining a cash balance for fund management purposes. Futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security at a specified future time and at a specified price. Futures contracts which are standardized as to maturity date and underlying financial instrument are traded on national futures exchanges. Futures exchanges and trading are regulated under the Commodity Exchange Act by the Commodity Futures Trading Commission ("CFTC"), a U.S. Government Agency.

Although futures contracts by their terms call for actual delivery or acceptance of the underlying securities, in most cases the contracts are closed out before the settlement date without the making or taking of delivery. Closing out an open futures position is done by taking an opposite position ("buying" a contract which has previously been "sold," or "selling" a contract previously purchased) in an identical contract to terminate the position. Brokerage commissions are incurred when a futures contract is bought or sold.

Futures traders are required to make a good faith margin deposit in cash or government securities with a broker or custodian to initiate and maintain open positions in futures contracts. A margin deposit is intended to assure completion of the contract (delivery or acceptance of the underlying security) if it is not terminated prior to the specified delivery date. Minimal initial margin requirements are established by the futures exchange and may be changed. Brokers may establish deposit requirements which are higher than the exchange minimums. Futures contracts are customarily purchased and sold on deposits which may range upward from less than 5% of the value of the contract being traded.

After a futures contract position is opened, the value of the contract is marked to market daily. If the futures contract price changes to the extent that the margin on deposit does not satisfy margin requirements, payment of additional "variation" margin will be required. Conversely, change in the contract value may reduce the required margin, resulting in a repayment of excess margin to the contract holder. Variation margin

payments are made to and from the futures broker for as long as the contract remains open. A Portfolio of the Trust expects to earn interest income on its margin deposits.

Traders in futures contracts may be broadly classified as either "hedgers" or "speculators." Hedgers use the futures markets primarily to offset unfavorable changes in the value of securities otherwise held for investment purposes or expected to be acquired by them. Speculators are less inclined to own the securities underlying the futures contracts which they trade, and use futures contracts with the expectation of realizing profits from fluctuations in the prices of underlying securities. The Trust's Portfolios intend to use futures contracts only for bonafide hedging purposes.

Regulations of the CFTC applicable to the Trust require that all of its futures transactions constitute bonafide hedging transactions. A Portfolio will only sell futures contracts to protect against a decrease in the price of securities it intends to sell or purchase contracts to protect against an increase in the price of securities it intends to purchase. As evidence of this hedging interest, the Portfolio expects that approximately 75% of its futures contract purchases will be "completed," that is, equivalent amounts of related securities will have been purchased or are being purchased by the Portfolio upon sale of open futures contracts.

Although techniques other than the sale and purchase of futures contracts could be used to control the Portfolio's exposure to market fluctuations, the use of futures contracts may be a more effective means of hedging this exposure. While a Portfolio will incur commission expenses in both opening and closing out futures positions, these costs are lower than transaction costs

incurred in the purchase and sale of the underlying securities.

#### RESTRICTIONS ON THE USE OF FUTURES CONTRACTS

A Portfolio will not enter into futures contract transactions to the extent that, immediately thereafter, the sum of its initial margin deposits on open contracts exceeds 5% of the market value of the Portfolio's total assets. In addition, a Portfolio will not enter into futures contracts to the extent that its outstanding obligations to purchase securities under these contracts would exceed 20% of the Portfolio's total assets.

#### RISK FACTORS IN FUTURES TRANSACTIONS

Positions in futures contracts may be closed out only on an Exchange which provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, the Portfolio would continue to be required to make daily cash payments to maintain its required margin. In such situations, if the Portfolio has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, the Portfolio may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the ability to effectively hedge it.

Each Portfolio will minimize the risk that it will be unable to close out a futures contract by only entering into futures which are traded on national futures exchanges and for which there appears to be a liquid secondary market.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. For example, if at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount invested in the contract. The Trust also bears the risk that the adviser will incorrectly predict future stock market trends. However, because the futures strategies of the Trust are engaged in only for hedging purposes, the Trust's officers do not believe that the Portfolios are subject to the risks of loss frequently associated with futures transactions. A Portfolio would presumably have sustained comparable losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

Utilization of futures transactions by the Trust does involve the risk of imperfect or no correlation where the securities underlying futures contracts have different maturities than the portfolio securities being hedged.

It is also possible that the Portfolio could both lose money on futures contracts and also experience a decline in value of its portfolio securities. There is also the risk of loss by the Portfolio of margin deposits in the event of bankruptcy of a broker with whom the Portfolio has an open position in a futures contract or related option.

Most futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavorable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of future positions and subjecting some futures traders to substantial losses.

#### FEDERAL TAX TREATMENT OF FUTURES CONTRACTS

Except for transactions the Trust has identified as hedging transactions, each Portfolio of the Trust is required for federal income tax purposes to recognize as income for each taxable year its net unrealized gains and losses on certain futures contracts as of the end of the year as well as those actually realized during the year. In most cases, any gain or loss recognized with respect to a futures contract is considered to be 60% long-term capital gain or loss and 40% short-term capital gain or loss, without regard to the holding period of the contract. Furthermore, sales of futures contracts which are intended to hedge against a change in the value of securities held by the Portfolio may affect the holding period of such securities and, consequently, the nature of the gain or loss on such securities upon disposition.

In order for each Portfolio to continue to qualify for Federal income tax treatment as a regulated investment company, at least 90% of its gross income for a taxable year must be derived from qualifying income; i.e., dividends, interest, income derived from loans of securities, gains from the sale of securities or of foreign currencies as other income derived with respect to the Portfolio's business of investing in securities. In addition, gains realized on the sale or other disposition of securities held for less than

three months must be limited to less than 30% of the Portfolio's annual gross income. Net gain realized from the closing out of futures contracts will be considered gain from the sale of securities and therefore be qualifying income for purposes of the 90% requirement. In order to avoid realizing excessive gains on securities held less than three months, the Portfolio may be required to defer the closing out of futures contracts beyond the time when it would otherwise be advantageous to do so. It is anticipated that unrealized gains on futures contracts, which have been open for less than three months as of the end of the Portfolio's fiscal year and which are recognized for tax purposes, will not be considered gains on sales of securities held less than three months for the purpose of the 30% test.

Each Portfolio will distribute to shareholders annually any net capital gains which have been recognized for federal income tax purposes (including unrealized gains at the end of the Portfolio's fiscal year) on futures transactions. Such distributions will be combined with distributions of capital gains realized on the Portfolio's other investments and shareholders will be advised on the nature of the transactions.

#### INVESTMENT LIMITATIONS

The following restrictions and fundamental policies cannot be changed without approval of the holders of a majority of the outstanding shares of each Portfolio (as defined in the Investment Company Act of 1940). Each Portfolio may not under any circumstances:

- 1) change its investment objective, which is to provide investment results that correspond to the performance of a particular stock index as set forth in (2) below;
- 2) change its investment policy, which is, in the case of the 500 Portfolio, is to attempt to duplicate the performance of Standard & Poor's 500 Composite Stock Price Index by owning as many of the 500 stocks contained in the index as is feasible; in the case of the Extended Market Portfolio, is to attempt to duplicate the performance of common stocks traded on the New York Stock Exchange, American Stock Exchange and NASDAQ not included in the S&P 500 Index as represented by the Wilshire 4500 Index; in the case of the Total Stock Market Portfolio to match the investment performance of the

Wilshire 5000 Index, an index consisting of all regularly traded U.S. stocks; in the case of the Value Portfolio to attempt to duplicate the performance of the Standard & Poor's/BARRA Value Index by owning as many of the stocks contained in the index as is feasible; in the case of the Growth Portfolio to attempt to duplicate the performance of the Standard & Poor's/BARRA Growth Index by owning as many of the stocks contained in the index as is feasible; and, in the case of the Small Capitalization Stock Portfolio to duplicate the investment performance of the Russell 2000 Small Stock Index;

- 3) invest in commodities or purchase real estate, although it may purchase securities of companies which deal in real estate or interests therein, and that each Portfolio may invest in stock index futures contracts, stock options and options on stock index futures contracts to that extent that not more than 5% of the Portfolio's assets are required as margin deposit for futures contracts and not more than 20% of a Portfolio's assets are invested in futures and options at any time;
- 4) lend money to any person except (i) by purchasing a portion of an issue of short-term debt securities or similar obligations (including repurchase agreements) which are publicly distributed or customarily purchased by institutional investors, and (ii) as provided under "Lending of Securities";
- 5) purchase securities on margin or sell securities short, except as set forth in paragraph 3 above;
- 6) with respect to 75% of net assets, purchase more than 10% of the outstanding voting securities of any company;
- 7) with respect to 75% of its assets, purchase securities of any issuer (except obligations of the United States Government and its instrumentalities), if, as a result, more than 5% of the value of the Portfolio's total assets would be invested in the securities of such issuer;
- 8) borrow money, except from banks (or through reverse repurchase agreements) for temporary or emergency (not leveraging) purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities, in an amount not exceeding 15% of its net assets (including the amount borrowed and the value of any outstanding reverse repurchase agreements) at the time the borrowing is made. Whenever a borrowing exceeds 5% of a Portfolio's net assets, the Portfolio will not make any additional investments;
- 9) pledge, mortgage, or hypothecate any of its assets to an extent greater than 5% of the value of its total assets;
- 10) engage in the business of underwriting securities issued by other persons except to the extent that a Portfolio may technically be deemed an underwriter under the Securities Act of 1933, as amended, in disposing of portfolio securities;
- 11) purchase or otherwise acquire any security if, as a result, more than 15% of its net assets would be invested in securities that are illiquid (included in this limitation is the Trust's investment in The Vanguard Group, Inc.);
- 12) invest for the purpose of controlling management of any company;

- 13) invest in securities of other investment companies, except as may be acquired as a part of a merger, consolidation or acquisition of assets approved by the Portfolio's shareholders, or otherwise to the extent permitted by Section 12 of the Investment Company Act of 1940. The Portfolio will invest only in investment companies which have investment objectives and investment policies consistent with those of the Portfolio;
- 14) invest more than 25% of the value of its total assets in any one industry; or
- 15) invest in put, call, straddle or spread options or in interests in oil, gas or other mineral exploration or development programs, except as set forth in limitation number "3", above.

The above-mentioned investment limitations are considered at the time investment securities are purchased. Notwithstanding these limitations, the Trust may own all or any portion of the securities of, or make loans to, or contribute to the costs or other financial requirements of any company which will be wholly owned by the Trust and one or more other investment companies and is primarily engaged in the business of providing, at-cost, management, administrative, distribution or related services to the Trust and other investment companies. See "The Vanguard Group". Each Portfolio of the Trust may not invest more than 5% of its total assets in securities of companies which have (with predecessors) a record of less than three years' of continuous operation. Additionally, each Portfolio of the Trust will not purchase or retain securities of an issuer if those Officers and Trustees of the Trust owning more than 1/2 of 1% of such securities together own more than 5% of such securities. These are non-fundamental policies which may be changed by the vote of a majority of the Trustees.

#### PURCHASE OF SHARES

The Trust reserves the right in its sole discretion (i) to suspend the offerings of its shares, (ii) to reject purchase or exchange purchase orders when in the judgment of management such rejection is in the best interest of the Trust, and (iii) to reduce or waive the minimum for initial and subsequent investments for certain fiduciary accounts or under circumstances where certain economies can be achieved in sales of the Trust's shares.

EXCHANGE OF SECURITIES FOR SHARES OF THE TRUST. In certain circumstances, shares of the Trust's Portfolios may be purchased in exchange for a minimum value of \$1 million in common stocks. Such common stocks must be included in the appropriate Index and each position must have a market value in excess of \$10,000. Additionally, such securities will be acquired by a Portfolio of the Trust for investment purpose and not for resale and must be liquid securities which are not restricted as to transfer and have a value which is readily ascertainable as evidenced by a listing on the American Stock Exchange, the New York Stock Exchange or NASDAQ. Securities accepted by the Portfolio will be valued as set forth under "The Share Price of Each Portfolio" in the Trust's prospectus as of the time of the next determination of net asset value after such acceptance. Shares of each Portfolio of the Trust are issued at net asset value determined as of the same time. "IN-KIND" PURCHASES OF THE EXTENDED MARKET PORTFOLIO, SMALL CAPITALIZATION STOCK AND THE TOTAL STOCK MARKET PORTFOLIO WILL NOT BE SUBJECT TO THE 1% AND 0.25% TRANSACTION FEES. All dividends, subscription, or other rights which are reflected in the market price of accepted securities at the time of valuation become the property of the Portfolio and must be delivered to the Portfolio by the investor upon receipt from the issuer. A gain or loss for Federal income tax purposes would be realized by the investor upon the exchange depending upon the cost of the securities tendered.

The Portfolio will not accept securities in exchange unless: (1) such securities are, at the time of the exchange, included in the Portfolio; (2) such an exchange will not cause the Portfolio's weightings to come imbalanced with respect to the weightings of the stocks included in the Index; (3) the investor represents and agrees that all securities offered to the Portfolio are not subject to any restrictions upon their sale by the Portfolio under the Securities Act of 1933, or otherwise; (4) such securities are traded in an unrelated transaction with a quoted sales price on the same day the exchange valuation is made; (5) the quoted sales price used as a basis of valuation is representative (i.e., one that does not involve a trade of substantial size which artificially influences the price of the security); and (6) the value of any such security being exchanged will not exceed 5% of the Portfolio's net assets immediately prior to the transaction.

Investors interested in such purchases should contact the Trust.

#### REDEMPTION OF SHARES

Each Portfolio may suspend redemption privileges or postpone the date of payment (i) during any period that the New York Stock Exchange is closed, or trading on the Exchange is restricted as determined by the Securities and Exchange Commission (the "Commission"), (ii) during any period when an emergency exists as defined by the rules of the Commission as a result of which it is not reasonably practicable for the Trust to dispose of securities owned by it, or fairly to determine the value of its assets, and (iii) for such other periods as the Commission may permit.

No charge is made by the Trust for redemptions. Any redemption may be more or less than the shareholder's cost depending on the market value of the

securities held by each Portfolio.

The Trust has made an election with the Commission to pay in cash all redemptions requested by any shareholder of record limited in amount during any 90-day period to the lesser of \$250,000 or 1% of the net assets of a Portfolio at the beginning of such period. Such commitment is irrevocable without the prior approval of the Commission. Redemptions in excess of the above limits may be paid in whole or in part, in investment securities or in cash, as the Trustees may deem advisable; however, payment will be made wholly in cash unless the Trustees believe that economic or market conditions exist which would make such a practice detrimental to the best interests of the Trust. If redemptions are paid in investment securities, such securities will be valued as set forth in the Prospectus under "The Share Price of Each Portfolio" and a redeeming shareholder would normally incur brokerage expenses if he converted these securities to cash.

#### YIELD AND TOTAL RETURN

The yield of the 500 Portfolio of the Trust for the 30 day period ended December 31, 1992 was 2.71%. The yield of the Extended Market Portfolio\*\* of the Trust for the 30 day period ended December 31, 1992 was 1.56%. The yield of the Total Stock Market Portfolio\*\*\* of the Trust for the 30 day period ended December 31, 1992 was 2.36%. The yield of the Value Portfolio for the 30 day period ended December 31, 1992 was 3.64%. The yield of the Growth Portfolio for the 30 day period ended December 31, 1992 was 2.34%. The yield of the Small Capitalization Stock Portfolio\*\* for the 30 day period ended September 30, 1993 was 1.17%.

The average annual total return of the 500 Portfolio for the one, five and ten year periods ended December 31, 1992 was +7.37%, +15.55% and +15.70%, respectively. The average annual total return for the Extended Market Portfolio for the one and five year periods ended December 31, 1992 and since the Portfolio's inception on December 21, 1987 was +11.29%, +15.00% and +14.89%, respectively. The total return of the Total Stock Market Portfolio for the period March 16, 1992 (end of subscription period) to December 31, 1992 was 10.41%. The average annual return of the Value and Growth Portfolios from November 2, 1992 to December 31, 1992 was 3.70% and 3.19%, respectively. The average annual return of the Small Capitalization Stock Portfolio for the one, five and ten year periods ended September 30, 1993 was +30.21%, +12.20% and +5.85%, respectively. Total return is computed by finding the average compounded rates of return over the one, five and ten year periods set forth above that would equate an initial amount invested at the beginning of the periods to the ending redeemable value of the investment.

\*Yield and total return figures for the 500 Portfolio are adjusted to reflect the \$10 annual account maintenance fee.

\*\*Yield and total return figures for the Extended Market and the Small Capitalization Stock Portfolios reflect the 1% portfolio transaction fee and the \$10 annual account maintenance fee.

\*\*\*Yield and total return figures for the Total Stock Market Portfolio reflect the 0.25% portfolio transaction fee and the \$10 annual account maintenance fee.

+Formerly Vanguard Small Capitalization Stock Fund, Inc.

#### MANAGEMENT OF THE TRUST

##### TRUSTEES AND OFFICERS

The Officers of the Trust manage its day-to-day operations and are responsible to the Trust's Board of Trustees. The Trustees set broad policies for the Trust and choose its Officers. The following is a list of the Trustees and Officers of the Trust and a statement of their present positions and principal occupations during the past five years. The mailing address of the Trustees and Officers of the Trust is Post Office Box 876, Valley Forge, PA 19482.

<TABLE>

<CAPTION>

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JOHN C. BOGLE, Chairman, Chief Executive Officer and Trustee\*

Chairman, Chief Executive Officer, and Director of The Vanguard Group, Inc., and of each of the investment companies in The Vanguard Group. Director of The Mead Corporation and General Accident Insurance.

JOHN J. BRENNAN, President & Trustee\*

President and Director of The Vanguard Group, Inc. and of each of the investment companies in The Vanguard Group.

ROBERT E. CAWTHORN, Trustee

Chairman and Chief Executive Officer, Rhone-Poulenc Rorer, Inc.; Director of Immune Response Corp. and Sun Company, Inc.; Trustee, Universal Health Realty Income Trust.

BARBARA BARNES HAUPTFUHRER, Trustee

Director of The Great Atlantic and Pacific Tea Company, Alco Standard Corp., Raytheon Company, Knight-Ridder Inc.,

<C>

ALFRED M. RANKIN, Trustee

President, Chief Executive Officer and Director of NACCO Industries, Inc.; Director of The BFGoodrich Company, The Standard Products Company and The Reliance Electric Company.

JOHN C. SAWHILL, Trustee

President and Chief Executive Officer, The Nature Conservancy; formerly, Director and Senior Partner, McKinsey & Co.; President, New York University; Director of Pacific Gas and Electric Company and NACCO Industries.

JAMES O. WELCH, JR., Trustee

Retired Chairman of Nabisco Brands, Inc. retired Vice Chairman and Director of RJR Nabisco; Director of TECO Energy, Inc.

J. LAWRENCE WILSON, Trustee

Chairman and Director of Rohm & Haas Company; Director of



and Massachusetts Mutual Life Insurance Co.  
BRUCE K. MACLAURY, Trustee  
President, The Brookings Institution; Director of Dayton  
Hudson Corporation, American Express Bank, Ltd., and The  
St. Paul Companies, Inc.  
BURTON G. MALKIEL, Trustee  
Chemical Bank Chairman's Professor of Economics, Princeton  
University; Director of Prudential Insurance Co. of  
America, Amdahl Corporation, Baker Fentress & Co., Jeffrey  
Co., and The Southern New England Telephone Company.

Cummins Engine Company and Vanderbilt University; Trustee  
of the Culver Educational Foundation.  
RAYMOND J. KLAPINSKY, Secretary\*  
Senior Vice President and Secretary of The Vanguard Group,  
Inc.; Secretary of each of the investment companies in The  
Vanguard Group.  
RICHARD F. HYLAND, Treasurer\*  
Treasurer of The Vanguard Group, Inc. and of each of the  
investment companies in The Vanguard Group.  
KAREN E. WEST, Controller\*  
Vice President of The Vanguard Group, Inc.; Controller of  
each of the investment companies in The Vanguard Group.

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\*Officers of the Trust are "interested persons" as defined  
in the Investment Company Act of 1940.

</TABLE>

#### THE VANGUARD GROUP, INC.

Vanguard Index Trust is a member of the Vanguard Group of Investment  
companies which consists of 32 investment companies. Through their jointly-  
owned subsidiary, The Vanguard Group, Inc. ("Vanguard"), the Trust and the  
other Funds in the Group obtain at cost virtually all of their corporate  
management, administrative and distribution services. Vanguard also provides  
investment advisory services on an at-cost basis to several of the Vanguard  
Funds.

Vanguard employs a supporting staff of management and administrative  
personnel needed to provide the requisite services to the Funds and also  
furnishes the Funds with necessary office space, furnishings and equipment.  
Each Fund pays its share of Vanguard's total expenses which are allocated  
among the Funds under methods approved by the Board of Trustees (Directors) of  
each Fund. In addition, each Fund bears its own direct expenses such as legal,  
auditing and custodian fees.

The Fund's Officers are Officers of Vanguard. No Officer or employee owns,  
or is permitted to own, any securities of any external adviser for the Funds.

The Vanguard Group was established and operates under a Funds' Service  
Agreement which was approved by the shareholders of each of the Funds. The  
Funds' Service Agreement was amended on May 15, 1993 to provide as follows:  
(a) each aggregate Vanguard Fund may invest up to .40% of its current assets  
in Vanguard, and (b) there is no limitation on the amount that the Vanguard  
Funds may contribute to Vanguard's capitalization. The amounts which each of

the Funds have invested are adjusted from time to time in order to maintain  
the proportionate relationship between each Fund's relative net assets and its  
contribution to Vanguard's capital. At December 31, 1992, the Trust had  
contributed capital of \$1,506,000\* to Vanguard, representing 7.5% of  
Vanguard's capitalization.

MANAGEMENT. Corporate management and administrative services include: (1)  
executive staff; (2) accounting and financial; (3) legal and regulatory; (4)  
shareholder account maintenance; (5) monitoring and control of custodian  
relationships; (6) shareholder reporting; and (7) review and evaluation of  
advisory and other services provided to the Funds by third parties. During the  
fiscal year ended December 31, 1992, the Trust's share of Vanguard's actual  
net costs of operation relating to management and administrative services  
(including transfer agency) totaled approximately \$8,768,000\*.

DISTRIBUTION. Vanguard provides all distribution and marketing activities  
for the Funds in the Group. Vanguard Marketing Corporation, a wholly-owned  
subsidiary of The Vanguard Group, Inc., acts as Sales Agent for the shares of  
the Funds in connection with any sales made directly to investors in the  
states of Florida, Missouri, New York, Ohio, Texas and such other states as it  
may be required.

The principal distribution expenses are for advertising, promotional  
materials and marketing personnel. Distribution services may also include  
organizing and offering to the public, from time to time, one or more new  
investment companies which will become members of the Group. The directors and  
officers of Vanguard determine the amount to be spent annually on distribution  
activities, the manner and amount to be spend on each Fund, and whether to  
organize new investment companies.

One-half of the distribution expenses of a marketing and promotional nature  
is allocated among the Funds based upon relative net assets. The remaining  
one-half of those expenses is allocated among the Funds based upon each Fund's  
sales for the preceding 24 months relative to the total sales of the Funds as  
a Group, provided, however, that no Fund's aggregate quarterly rate of  
contribution for distribution expenses of a marketing and promotional nature  
shall exceed 125% of average distribution expense rate for the Group, and that  
no Fund shall incur annual distribution expenses in excess of 20/100 of 1% of  
its average month-end net assets. During the fiscal year ended December 31,  
1992, the Trust paid approximately \$1,708,000\* of the Group's distribution and  
marketing expenses.

INVESTMENT ADVISORY SERVICES. Vanguard also provides investment advisory  
services to Vanguard Municipal Bond Fund, Vanguard Admiral Funds, Vanguard  
Money Market Reserves, Vanguard Institutional Portfolios, several Portfolios

of Vanguard Fixed Income Securities Fund and the Vanguard State Tax-Free Funds (California, Florida, New Jersey, New York, Ohio and Pennsylvania). These services are provided on an at-cost basis from money management staff employed directly by Vanguard. The compensation and other expenses of this staff are paid by the Funds utilizing these services.

REMUNERATION OF TRUSTEES AND OFFICERS. The Trust pays each Trustee, who is not also an Officer, an annual fee plus travel and other expenses incurred in attending Board meetings. The Trust's Officers and employees are paid by Vanguard which, in turn, is reimbursed by the Trust and each other Fund in the Group, for its proportionate share of Officers' and employees' salaries and retirement benefits.

During the fiscal year ended December 31, 1992, the Trust paid approximately \$21,000 in Trustees' fees and expenses. The Trust's proportionate share of remuneration paid by Vanguard (and reimbursed by the Trust) during the year to John C. Bogle, Chairman and Chief Executive Officer of the Trust and John J. Brennan, President of the Trust was \$204,916\* and \$81,581\* respectively, and its proportionate share of compensation paid to all Officers of the Trust, as a group, was approximately \$341,218.

Upon retirement, Trustees who are not Officers receive an annual fee of \$1,000 for each year of service on the Board up to a maximum of \$15,000. Under its retirement plan, Vanguard contributes annually an amount equal to 10% of each Officer's annual compensation plus 7% of that part of the Officer's compensation during the year, if any, that exceeds the Social Security Taxable Wage Base then in effect. The Trust's proportionate share of retirement contributions made by Vanguard on behalf of all Officers of the Trust, as a group, during the 1992 fiscal year was approximately \$46,742.\*

\*Does not include the Small Capitalization Stock Portfolio, formerly Vanguard Small Capitalization Stock Fund, Inc.

#### PORTFOLIO TRANSACTIONS

In placing portfolio transactions, the Trust uses its best judgment to choose the broker most capable of providing the brokerage services necessary to obtain best available price and most favorable execution. The full range

and quality of brokerage services available are considered in making these determinations. In those instances where it is reasonably determined that more than one broker can offer the brokerage services needed to obtain the best available price and most favorable execution, consideration will be given to those brokers which supply statistical information and provide other services in addition to execution services to the Trust.

Since the Trust does not market its shares through intermediary brokers or dealers, it is not the Trust's practice to allocate brokerage or principal business on the basis of sales of its shares which may be made through such firms. However, the Trust may place portfolio orders with qualified broker-dealers who recommend the Trust to clients, and may, when a number of brokers and dealers can provide best price and execution on a particular transaction, consider the sale of Trust shares by a broker or dealer in selecting among broker-dealers.

During the years ended December 31, 1990, 1991 and 1992 the Trust paid brokerage commissions of \$659,497\*, \$1,038,742\*, and \$1,239,271\*, respectively.

\*Does not include the Small Capitalization Stock Portfolio (formerly Vanguard Small Capitalization Stock Fund, Inc.).

#### DESCRIPTION OF SHARES AND VOTING RIGHTS

The Declaration of Trust permits the Trustees to issue an unlimited number of shares of beneficial interest, without par value, from an unlimited number of classes ("Portfolios") of shares. Currently the Trust is offering shares of six Portfolios.

The shares of the Trust are fully paid and nonassessable, except as set forth under "Shareholder and Trustee Liability," and have no preference as to conversion, exchange, dividends, retirement or other features. The shares of the Trust have no pre-emptive rights. The shares of the Trust have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of Trustees can elect 100% of the Trustees if they choose to do so. A shareholder is entitled to one vote for each full share held (and a fractional vote for each fractional share held), then standing in his name on the books of the Trust. On any matter submitted to a vote of shareholders, all shares of the Trust then issued and outstanding and entitled to vote, irrespective of the class, shall be voted in the aggregate and not by class: except (i) when required by the Investment Company Act of 1940, shares shall be voted by individual class; and (ii) when the matter does not affect any interest of a particular class, then only shareholders of the affected class or classes shall be entitled to vote thereon.

The Trust will continue without limitation of time, provided however that:

- 1) Subject to the majority vote of the holders of shares of any Portfolio of the Trust outstanding, the Trustees may sell or convert the assets of such Portfolio to another investment company in exchange for shares of such investment company and distribute such shares ratably among the shareholders of such Portfolio;

- 2) Subject to the majority vote of shares of any Portfolio of the Trust outstanding, the Trustees may sell and convert into money the assets of such Portfolio and distribute such assets ratably among the shareholders of such Portfolio; and
- 3) Without the approval of the shareholders of any Portfolio, unless otherwise required by law, the Trustees may combine the assets of any two or more Portfolios into a single Portfolio so long as such combination will not have a material adverse effect upon the shareholders of such Portfolio.

Upon completion of the distribution of the remaining proceeds or the remaining assets of any Portfolio as provided in paragraphs 1), 2), 3) above the Trust shall terminate as to that Portfolio and the Trustees shall be discharged of any and all further liabilities and duties hereunder and the right, title and interest of all parties shall be cancelled and discharged.

**SHAREHOLDER AND TRUSTEE LIABILITY.** Under Pennsylvania law, shareholders of such a Trust may, under certain circumstances, be held personally liable as partners for the obligations of the Trust. Therefore, the Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Trust and requires that notice of such disclaimer be given in each agreement, obligation, or instrument entered into or executed by the Trust or the Trustees. The Declaration of Trust provides for indemnification out of the Trust property of any shareholder held personally liable for the obligations of the Trust. The Declaration of Trust also provides that the Trust shall, upon request, assume the defense of any claim against any shareholder for any act or obligation of the Trust and satisfy any judgment thereon. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust itself would be unable to meet its obligations.

The Declaration of Trust further provides that the Trustees will not be liable for errors of judgment or mistakes of fact or law, but nothing in the Declaration of Trust protects a Trustee against any liability to which he

would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office.

#### PERFORMANCE MEASURES

Each of the investment company members of the Vanguard Group, including Vanguard Index Trust, may from time to time, use one or more of the following unmanaged indices for comparative performance purposes.

**STANDARD & POOR'S 500 COMPOSITE STOCK PRICE INDEX** -- is a well diversified list of 500 companies representing the U.S. Stock Market.

**STANDARD & POOR'S/BARRA VALUE INDEX** -- contains common stocks of the S&P 500 Index which have lower than average price-to-book ratios.

**STANDARD & POOR'S/BARRA GROWTH INDEX** -- contains common stocks of the S&P 500 Index which have higher than average price-to-book ratios.

**WILSHIRE 5000 EQUITY INDEXES** -- consists of nearly 5,000 common equity securities, covering all stocks in the U.S. for which daily pricing is available.

**WILSHIRE 4500 EQUITY INDEX** -- consists of all stocks in the Wilshire 5000 except for the 500 stocks in the Standard & Poor's 500 Index.

**RUSSELL 2000 INDEX** -- is composed of approximately 2,000 small capitalization stocks.

**MORGAN STANLEY CAPITAL INTERNATIONAL EAFE INDEX** -- is an arithmetic, market value-weighted average of the performance of over 900 securities listed on the stock exchanges of countries in Europe, Australia and the Far East.

**GOLDMAN SACHS 100 CONVERTIBLE BOND INDEX** -- currently includes 67 bonds and 33 preferreds. The original list of names was generated by screening for convertible issues of 100 million or greater in market capitalization. The index is priced monthly.

**SALOMON BROTHERS GNMA INDEX** -- includes pools of mortgages originated by private lenders and guaranteed by the mortgage pools of the Government National Mortgage Association.

**SALOMON BROTHERS HIGH-GRADE CORPORATE BOND INDEX** -- consists of publicly issued, non-convertible corporate bonds rated AA or AAA. It is a value-weighted, total return index, including approximately 800 issues with maturities of 12 years or greater.

**SALOMON BROTHERS BROAD INVESTMENT-GRADE BOND** -- is a market-weighted index that contains approximately 4700 individually priced investment-grade corporate bonds rated BBB or better, U.S. Treasury/agency issues and mortgage passthrough securities.

**SHEARSON LEHMAN LONG-TERM TREASURY BOND** -- is composed of all bonds covered by the Shearson Lehman Hutton Treasury Bond Index with maturities of 10 years or greater.

**NASDAQ INDUSTRIAL INDEX** -- is composed of more than 3,000 industrial issues. It is a value-weighted index calculated on price change only and does not include income.

**COMPOSITE INDEX** -- 70% Standard & Poor's 500 Index and 30% NASDAQ Industrial Index.

**COMPOSITE INDEX** -- 35% Standard & Poor's 500 Index and 65% Salomon Brothers High Grade Bond Index.

**COMPOSITE INDEX** -- 65% Standard & Poor's 500 Index and 35% Salomon Brothers High Grade Bond Index.

LEHMAN BROTHERS AGGREGATE BOND INDEX -- is a market weighted index that contains individually priced U.S. Treasury, agency, corporate, and mortgage pass-through securities corporate rated BBB- or better. The Index has a market value of over \$4 trillion.

LEHMAN BROTHERS MUTUAL FUND SHORT (1-5) GOVERNMENT/CORPORATE INDEX -- is a market weighted index that contains individually priced U.S. Treasury, agency, and corporate investment grade bonds rated BBB- or better with maturities between 1 and 5 years. The index has a market value of over \$1.3 trillion.

LEHMAN BROTHERS MUTUAL FUND INTERMEDIATE (5-10) GOVERNMENT/CORPORATE INDEX - -- is a market weighted index that contains individually priced U.S. Treasury, agency, and corporate securities rated BBB- or better with maturities between 5 and 10 years. The index has a market value of over \$600 billion.

LEHMAN BROTHERS MUTUAL FUND LONG (10+) GOVERNMENT/CORPORATE INDEX -- is a market weighted index that contains individually priced U.S. Treasury, agency, and corporate securities rated BBB- or better with maturities greater than 10 years. The index has a market value of over \$900 billion.

#### FINANCIAL STATEMENTS

The Trust's Financial Statements for the year ended December 31, 1992, including the selected per share data and ratios (referred to as "Financial Highlights" in this registration statement) for each of the respective periods presented, appearing in the Vanguard Index Trust 1992 Annual Report to Shareholders and inserts thereto, and the reports thereon of Price Waterhouse, independent accountants, also appearing therein, are incorporated by reference in this Statement of Additional Information. The Trust's 1992 Annual Report to Shareholders and inserts thereto, are enclosed with this Statement of Additional Information. The Trust's financial statements for the six months ended June 30, 1993, including the Financial Highlights for each of the respective periods presented, appearing in the Vanguard Index Trust 1993 Semi-Annual Report to Shareholders, which are unaudited, are also incorporated by reference in this Statement of Additional Information. The audited financial statements and the selected per share data and ratios (referred to as "Financial Highlights" in this registration statement) for each of the respective periods presented, appearing in the Vanguard Small Capitalization Stock Fund, Inc. ("Small Cap Fund") 1992 Annual Report to Shareholders, and the report thereon of Price Waterhouse, independent accountants, also appearing therein, are incorporated by reference in this Statement of Additional Information. The Small Cap Fund's financial statements for the six months ended March 31, 1993, including the selected per share data and ratios for each of the respective periods presented, appearing in the Small Cap Fund's, 1993 Semi-Annual Report to Shareholders, which are unaudited, are also incorporated by reference in this Statement of Additional Information.