

SECURITIES AND EXCHANGE COMMISSION

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VANGUARD SPECIALIZED PORTFOLIOS INC

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

VANGUARD SPECIALIZED PORTFOLIOS
PROSPECTUS SUPPLEMENT
APRIL 18, 1994

IMPORTANT NOTE FOR INVESTORS CONSIDERING PURCHASING SHARES OF THE
TECHNOLOGY OR THE SERVICE ECONOMY PORTFOLIO

The Fund's Board of Directors has proposed, for shareholder approval, the following: 1) the acquisition of all of the outstanding shares of the Technology Portfolio, in a tax-free reorganization, by Vanguard Explorer Fund ("Explorer") and 2) the acquisition of all of the outstanding shares of the Service Economy Portfolio, in a tax-free merger, by Vanguard/Morgan Growth Fund ("Morgan Growth"). If the reorganizations are approved by the shareholders of each Portfolio at a Special Meeting to be held on or about June 1, 1994, the Portfolios will be merged into Vanguard Explorer Fund and Vanguard/Morgan Growth Fund, respectively, on or about June 2, 1994. Beginning April 18, 1994, shares of the Technology Portfolio and the Service Economy Portfolio may be redeemed or exchanged to any Vanguard Fund without incurring the 1% redemption fee.

A distribution for each Portfolio of income dividends and realized capital gains, if any, would be distributed prior to the proposed merger. For more information about Explorer and Morgan Growth, please call Vanguard's Investor Information Department (800-662-7447).

Due to the reorganization, beginning April 18, 1994, the Technology and Service Economy Portfolios will no longer accept new accounts or purchases.

IMPORTANT NOTE FOR INVESTORS CONSIDERING PURCHASING SHARES
OF THE ENERGY, GOLD & PRECIOUS METALS, OR
HEALTH CARE PORTFOLIOS

Beginning on June 3, 1994, Vanguard Specialized Portfolios will change its redemption fee policy. Under the new policy, shares of the Energy, Gold & Precious Metals, and Health Care Portfolios purchased on or after June 3, 1994 and redeemed or exchanged after being held for less than one year will be assessed a 1% fee. The fee will also be assessed on exchange redemptions between the Fund's Portfolios for shares purchased on or after June 3, 1994 and held for less than one year. As in the past, the Utilities Income Portfolio will not be subject to a redemption fee.

To determine the one-year holding period, the Portfolios will use the "first-in, first-out" (FIFO) method. That is, the date of the redemption or exchange will be compared to the earliest purchase date of shares held in the account. If this holding period is less than one year, a 1% fee will be assessed. Shares purchased through reinvestment of dividends and capital gains will not be subject to the redemption fee.

Given the new fee policy, the special money market accounts available to

shareholders of Vanguard Specialized Portfolios will be discontinued as of June 3, 1994.

PVSP