FORM 497

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FILER

VANGUARD MORGAN GROWTH FUND INC

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Business Address
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Fellow Shareholder:

The accompanying Combined Proxy Statement and Prospectus presents an important proposal for your consideration as a shareholder of Vanguard Specialized Portfolios-Service Economy Portfolio (the "Service Economy Portfolio"). In substance, your Board of Directors has proposed that the Service Economy Portfolio be merged with Vanguard/Morgan Growth Fund, Inc. ("Morgan Growth Fund"), by having all of its assets acquired, in a tax-free reorganization, in exchange for shares of Morgan Growth Fund on June 2, 1994 (the "Closing Date"). If this proposal is approved by shareholders, your Service Economy Portfolio shares will be exchanged for an equal dollar-amount of Morgan Growth Fund shares on the Closing Date.

BACKGROUND

The Service Economy Portfolio began operations in 1984 with the objective of providing investors with long-term capital appreciation by investing in common stocks of companies in the service sector of the economy. Over the period since its inception the performance of the Service Economy Portfolio has lagged the performance of competitive funds with similar objectives and that of the overall stock market. Additionally, the level of investor interest in the Portfolio has been modest. Accordingly, the Directors of the Service Economy Portfolio have determined that it would be in the best interest of the Portfolio's shareholders to merge the Portfolio into the larger and more broadly diversified Morgan Growth Fund.

Morgan Growth Fund is considered to be the most appropriate Vanguard Fund to acquire the shares of the Service Economy Portfolio because, of all the Vanguard equity funds, Morgan Growth Fund has the most similar sector weightings and most similar market capitalization (company size) to the Service Economy Portfolio's. Wellington Management Company serves as investment adviser to the Service Economy Portfolio and also serves as investment adviser with respect to approximately 40% of Morgan Growth Fund's assets. The remainder of Morgan Growth Fund's assets are managed by Franklin Portfolio Associates (33%), Husic Capital Management (13%) and Vanguard's Core Management Group (9%). Approximately 5% of the Fund's net assets are held in cash.

SHAREHOLDERS OF THE SERVICE ECONOMY PORTFOLIO WILL NOT BE ASSESSED THE PORTFOLIO'S 1% REDEMPTION FEE ON THE EXCHANGE OF PORTFOLIO SHARES FOR MORGAN GROWTH FUND SHARES. ADDITIONALLY, SHARES OF THE SERVICE ECONOMY PORTFOLIO REDEEMED OR EXCHANGED TO ANY OTHER VANGUARD FUND ON OR AFTER APRIL 18, 1994 WILL NOT BE ASSESSED THE PORTFOLIO'S 1% REDEMPTION FEE. THE SERVICE ECONOMY PORTFOLIO WILL DISTRIBUTE ALL CURRENT INCOME DIVIDENDS AND REALIZED CAPITAL GAINS TO SHAREHOLDERS PRIOR TO THE MERGER.

The Officers and Directors of the Service Economy Portfolio have carefully evaluated the Service Economy Portfolio's performance record since inception, giving careful consideration to the risks and opportunities of making changes. The Officers and Directors have concluded that shareholders would be best served by "merging" the Portfolio through the acquisition of its assets by Morgan Growth Fund. The proposed reorganization of the Service Economy Portfolio must be approved by the owners of a majority of the outstanding shares of the Service Economy Portfolio.

We hope this Proxy statement and the Morgan Growth Fund prospectus will answer all of your questions, but if you have further questions at any time, please do not hesitate to call Vanguard's Investor Information Department at 1-800-662-7447.

Sincerely,

John C. Bogle
Chairman of the Board

April 18, 1994

COMBINED PROXY STATEMENT AND PROSPECTUS
DATED APRIL 18, 1994

This combined Proxy Statement and Prospectus includes this cover page, a Notice of Special Meeting of Shareholders for Vanguard Specialized Portfolios-Service Economy Portfolio (the "Service Economy Portfolio"), a Proxy Statement, a form of proxy and the current prospectus for Vanguard/Morgan Growth Fund, Inc. ("Morgan Growth Fund").

Morgan Growth Fund is an open-end diversified investment company. The investment objective of Morgan Growth Fund is to provide long-term capital growth by investing in the equity securities of growth companies.

The principal executive offices of the Service Economy Portfolio and Morgan Growth Fund are located at Vanguard Financial Center, One Hundred Vanguard Boulevard, Malvern, PA 19355 (Telephone No.: 1-800-662-7447).

This Combined Proxy Statement and Prospectus sets forth concisely the information that a shareholder of the Service Economy Portfolio should know before voting on the proposed reorganization. It should be read and retained for future reference.

A Prospectus, Statement of Additional information, and the 1993 Annual Report to Shareholders of Morgan Growth Fund, including financial statements, and the 1994 Annual Report of the Service Economy Portfolio, including financial statements, are on file with the Securities and Exchange Commission (the "Commission"). Morgan Growth Fund's prospectus and statement of additional information (dated March 31, 1994) and Morgan Growth Fund's 1993 Annual Report to Shareholders are incorporated by reference into this Combined Proxy Statement and Prospectus. The Morgan Growth Fund Prospectus is included with this document as Exhibit II. The Morgan Growth Fund Statement of Additional Information and the Service Economy Portfolio's 1994 Annual Report to Shareholders are available, without charge, by writing to Vanguard Financial Center, P.O. Box 876, Valley Forge, PA 19482 or by calling the toll-free telephone number listed above.

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

VANGUARD SPECIALIZED PORTFOLIOS-SERVICE ECONOMY PORTFOLIO

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF VANGUARD SPECIALIZED PORTFOLIOS-SERVICE ECONOMY PORTFOLIO:

Notice is hereby given that a special meeting of shareholders of Vanguard Specialized Portfolios-Service Economy Portfolio (the "Service Economy Portfolio") will be held in the Majestic Building, Room 118A, Vanguard Financial Center, 100 Vanguard Boulevard, Malvern, PA 19355, on June 1, 1994, at 9:30 A.M., E.T. for the following purposes:

1. To approve or disapprove a proposal providing for the acquisition of all of the Service Economy Portfolio's assets by Vanguard/Morgan Growth Fund ("Morgan Growth Fund").

2. To consider and act upon any other matters which may properly come before this meeting.

By Order of the Board of Directors
Raymond J. Klapinsky, Secretary

April 18, 1994

YOUR VOTE IS IMPORTANT
NO MATTER HOW MANY SHARES YOU OWN

PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, DATE AND SIGN IT, AND RETURN IT IN THE ENVELOPE PROVIDED, WHICH IS ADDRESSED FOR YOUR CONVENIENCE AND NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES. IN ORDER TO AVOID THE ADDITIONAL EXPENSE TO THE FUND OF FURTHER SOLICITATION, WE ASK YOU TO COOPERATE IN MAILING YOUR PROXY PROMPTLY.

VANGUARD SPECIALIZED PORTFOLIOS-SERVICE ECONOMY PORTFOLIO
VANGUARD/MORGAN GROWTH FUND

SPECIAL MEETING OF SHAREHOLDERS
APRIL 18, 1994
PROXY STATEMENT

The enclosed proxy is solicited by and on behalf of the management of

Vanguard Specialized Portfolios-Service Economy Portfolio (the "Service Economy Portfolio"). In addition to the solicitation of proxies by mail, officers and employees of the Service Economy Portfolio may solicit in person or by telephone. Persons holding stock as nominees will, upon request, be reimbursed for their reasonable expenses in sending soliciting materials to their principals.

Holders of record as of the close of business on March 31, 1994 are entitled to vote at the meeting or any adjourned session. As of the record date there were issued and outstanding approximately 1,471,422 shares of common stock of the Service Economy Portfolio.

Shares represented by a properly executed proxy will be voted in accordance with the instructions thereon, or if no specification is made, the persons named as proxies will vote in favor of the proposals set forth in the Notice of Meeting and in this Proxy Statement. Abstentions and broker non-votes will be included for purposes of determining whether a quorum is present at the meeting, but will not be counted as votes in favor of or against the proposal. Proxies may be revoked at any time before they are exercised by the subsequent execution and submission of a revised proxy, by written notice of revocation to the Secretary of the Fund, or by voting in person at the meeting. The business address of the Service Economy Portfolio is c/o Vanguard Financial Center, 100 Vanguard Boulevard (P.O. Box 876), Valley Forge, PA 19482.

A copy of the Service Economy Portfolio's Annual Report for the fiscal year ended January 31, 1994, including financial statements, has been mailed to each shareholder of the Service Economy Portfolio as of the record date. This Combined Prospectus and Proxy Statement was mailed to shareholders on or about April 18, 1994.

APPROVAL OR DISAPPROVAL OF THE PROPOSED REORGANIZATION

SUMMARY

The following is a summary of the proposed reorganization and the parties thereto contained elsewhere in this Combined Proxy Statement and Prospectus (including documents incorporated by reference herein).

COMPARISON OF THE SERVICE ECONOMY PORTFOLIO AND MORGAN GROWTH FUND

1. Investment Objectives and Policies

The investment objective of the Service Economy Portfolio is to provide long-term capital appreciation by investing in the stocks of companies in the service economy industry. Morgan Growth Fund seeks to provide long-term capital appreciation by investing primarily in the equity securities of growth companies. Morgan Growth Fund invests a majority of its assets in "established growth companies"--i.e. larger capitalization

firms that have generally exhibited above-average rates of growth in sales and earnings over an extended period. Morgan Growth Fund may also invest in "emerging growth companies"--expanding firms with generally smaller stock market capitalizations. Finally, Morgan Growth Fund may hold investments in "cyclical growth and other companies." These are firms which, while they may not have a history of stable long-term growth, are nonetheless expected to represent attractive investments.

2. Advisory Fees

The investment adviser to the Service Economy Portfolio is Wellington Management Company ("WMC"). WMC also serves as investment adviser with respect to approximately 40% of Morgan Growth Fund's assets. The remainder of Morgan Growth Fund's assets are managed by Franklin Portfolio Associates (33%), Husic Capital Management (13%) and Vanguard's Core Management Group (9%), with approximately 5% of the Fund's net assets held in cash.

The Service Economy Portfolio, along with the other portfolios of Vanguard Specialized Portfolios ("VSP"), for which WMC serves as adviser (Health Care, Technology, Energy and Utilities Income) pays an aggregate investment advisory fee, at the end of each fiscal quarter, calculated by applying the following annual percentage rates to the average month-end net assets for the quarter of the five portfolios, as follows:

<TABLE>
<CAPTION>

NET ASSETS	RATE
<S>	<C>
First $100 million..	0.300%

Next $150 million	0.200%
Next $250 million	0.150%
Next $500 million	0.125%
Over $1 billion	0.100%

</TABLE>

The advisory fee is based on the net assets for the five Portfolios of VSP for which WMC serves as adviser and is allocated to each Portfolio based on the net assets of each Portfolio. For the fiscal year ended January 31, 1994, the investment advisory fee represented an effective annual rate of .14 of 1% of average net assets for each Portfolio. Matthew E. Megargel, Vice President of WMC serves as portfolio manager of the Service Economy Portfolio.

Morgan Growth Fund pays WMC a basic advisory fee calculated by applying varying percentage rates to the average net assets of the fund managed by WMC as follows:

<TABLE>
<CAPTION>

NET ASSETS	RATE
First $50 million	0.325%
Next $100 million	0.225%
Next $150 million	0.150%

</TABLE>

This basic advisory fee may be increased or decreased by applying an adjustment formula ("incentive/penalty fee") based on WMC's investment performance relative to the investment record of the Growth Fund Stock Index (the "Index") which is described in detail in the Morgan Growth Fund Prospectus.

The following table sets forth the incentive/penalty fee rates payable by the Fund to WMC under the proposed investment advisory agreement:

<TABLE>
<CAPTION>

THREE YEAR PERFORMANCE DIFFERENTIAL VS. THE INDEX	ANNUAL INCENTIVE (+)/ PENALTY (-) FEE RATE
+12% or more above	+.075%
+6% but less than +12%	+.0375%
Between +6% and -6%	-0-
-6% but less than -12%	-.0375%
-12% or more below	-.075%

</TABLE>

Accordingly, the maximum possible fee payable to WMC under the agreement would be .40 of 1% of net assets and the minimum possible fee payable thereunder would be .075 of 1% of net assets. Robert D. Rands, Senior Vice President of WMC serves as portfolio manager of the assets of Morgan Growth Fund assigned to WMC.

Morgan Growth Fund pays Franklin Portfolio Associates ("FPA") a basic advisory fee calculated by applying varying percentage rates to the average net assets of the Fund managed by FPA as follows:

<TABLE>
<CAPTION>

NET ASSETS	RATE
First $100 million	0.250%
Next $200 million	0.200%
Next $300 million	0.150%

</TABLE>

The basic advisory fee may be increased or decreased by applying an adjustment formula ("incentive/penalty fee") based on FPA's investment performance relative to the Growth Fund Stock Index.

<TABLE>
<CAPTION>

THREE YEAR PERFORMANCE DIFFERENTIAL VS. THE INDEX	ANNUAL INCENTIVE (+)/ PENALTY (-) FEE RATE

+6% or more above	+.100%
Between +6% and -6%	-0-
-6% or more below	-.100%

</TABLE>

Accordingly, the maximum possible fee payable to FPA under the agreement would be .35 of 1% of net assets and the minimum possible fee payable thereunder would be .05 of 1% of net assets. John J. Nagorniak, President of FPA, serves as portfolio manager of the assets of Morgan Growth Fund assigned to FPA.

Morgan Growth Fund pays Husic Capital Management ("Husic") a basic advisory fee at the end of each fiscal quarter, calculated by applying a quarterly rate, based on the following annual percentage rates, to the average month-end assets of the Morgan Growth managed by Husic for the quarter:

<TABLE>
<CAPTION>

NET ASSETS	RATE
<S>	<C>
First $25 million	0.40%
Next $125 million	0.35%
Next $350 million	0.25%
Next $500 million	0.20%
Over $1 billion	0.15%

</TABLE>

The basic fee paid to Husic, as provided above, may be increased or decreased by applying an incentive/penalty fee based on the investment performance of the assets managed by Husic (the "Husic Portfolio") relative to the return of the Index.

Effective with the quarter ending September 30, 1994, the basic fee paid to Husic, as provided above, may be increased or decreased by applying an incentive/penalty fee based on the investment performance of the Husic Portfolio relative to the investment record of the Index. Under the incentive/penalty fee schedule, the basic fee payable to Husic may be increased or decreased by as much as 75% of the basic fee depending on the investment performance of the equity investment managed by Husic.

The incentive/penalty fee rates will be determined by measuring the investment performance of the Husic Portfolio relative to the investment record of the Index in accordance with the following table:

<TABLE>
<CAPTION>

THREE YEAR PERFORMANCE DIFFERENTIAL VS. THE GROWTH INDEX	ANNUAL RATE AS A PERCENTAGE OF BASIC FEE: FIRST $200 MILLION OF ASSETS	ASSETS IN EXCESS OF $200 MILLION
<S>	<C>	<C>
+12% points or more above	175.0%	150.0%
Between +6% points and +12% points above	137.5%	125.0%
Between +6% points and -6% points	100.0%	100.0%
Between -6% points and -12% points	62.5%	75.0%
-12% points or more below	25.0%	50.0%

</TABLE>

Until the Quarter ending September 30, 1996, the incentive/penalty fee for Husic will be calculated according to the following transition rules:

(a) Prior to June 30, 1994. For the quarters ending on or prior to June 30, 1994, the incentive/penalty fee adjustment will not be operable. The advisory fee payable by the Fund shall be the basic fee, calculated as set forth above.

(b) July 1, 1994 through September 30, 1996. Beginning with the quarter ending September 30, 1994, and until the quarter ending September 30, 1996, the incentive/penalty fee will be computed based upon a comparison of the investment performance of the Husic Portfolio and that of the Growth Index over the number of months that have elapsed between October 1, 1993 and the end of the quarter for which the fee is computed. The number of percentage points by which the investment performance of the Husic Portfolio must exceed or fall below the investment record of the Growth Index for the quarters ending during this period are as follows:

QUARTER ENDING	NUMBER OF PERCENTAGE POINTS
September 30, 1994	4
December 31, 1994	5
March 31, 1995	6
June 30, 1995	7
September 30, 1995	8
December 31, 1995	9
March 31, 1996	10
June 30, 1996	11
September 30, 1996	12

(c) On and After September 30, 1996. For the quarter ending September 30, 1996 and thereafter, the period used to calculate the incentive/penalty fee shall be the 36 months preceding the end of the quarter for which the fee is being computed and the number of percentage points used shall be 12.

Accordingly, after the incentive/penalty fee is in full effect, the maximum possible fee payable to Husic under the agreement would be .70 of 1% and the minimum possible fee payable thereunder would be .10 of 1%. Frank Husic, president of Husic, serves as portfolio manager for the assets of Morgan Growth Fund managed by Husic.

The remaining assets of Morgan Growth Fund are managed on an at-cost basis by Vanguard's Core Management Group under the direction of George U. Sauter, Vice President of Vanguard.

For the fiscal year ended December 31, 1993, the aggregate investment advisory fee paid by Morgan Growth Fund represented an effective annual base rate of .18 of 1% of the Fund's net assets before a decrease of .03 of 1% based on performance. The advisory fee rates paid to WMC, FPA and Husic for the 1993 fiscal year were as follows:

	BASIC FEE	INCREASE (DECREASE) BASED ON PERFORMANCE	TOTAL FEE
WMC	.18 of 1%	(.08) of 1%	.12 of 1%
FPA	.41 of 1%	--	.41 of 1%
Husic	.12 of 1%	--	.12 of 1%

The maximum possible advisory fee payable by the Service Economy Portfolio would be .30 of 1% of net assets, while the maximum possible aggregate advisory fee payable by Morgan Growth Fund would be .38 of 1% of net assets. However, at current asset levels, the maximum possible aggregate advisory fee payable by Morgan Growth Fund would be .28 of 1%.

3. Management, Administrative and Distribution Services

The Service Economy Portfolio and Morgan Growth Fund are members of The Vanguard Group of Investment Companies. Through their jointly-owned subsidiary, The Vanguard Group, Inc. ("Vanguard"), the member funds of the Vanguard Group obtain at cost virtually all of their corporate management, administrative, and distribution services. Each Fund pays its share of Vanguard's total expenses relating to these services, which are allocated among the Funds under methods approved by the Board of Directors of each Fund.

4. Asset Size and Expense Ratios

On March 1, 1994 the Service Economy Portfolio had total net assets of approximately $34 million. On the same date, Morgan Growth Fund had total net assets of approximately $1.1 billion. For the fiscal year ended January 31, 1994, the Service Economy Portfolio had an expense ratio of .41 of 1% of its average net assets. The expense ratio for Morgan Growth Fund for its 1993 fiscal year was .49 of 1% of its average net assets. Redemptions from Morgan Growth Fund are not assessed the 1% redemption fee that is incurred by shareholders of the Service Economy Portfolio upon redemption.

5. Purchase, Redemption and Exchange Procedures

Purchase procedures for the Service Economy Portfolio and Morgan Growth Fund are virtually identical, and are described on page 16 of the Morgan Growth Fund prospectus. Under normal circumstances redemptions from the Service Economy Portfolio are assessed a 1% redemption fee. However, no fee will be charged for the exchange of Service Economy Portfolio shares for Morgan Growth Fund shares. Also, beginning on April 18, 1994, there will be no redemption fee applied on redemptions from the Service Economy Portfolio. Morgan Growth Fund does not charge a fee for redemptions. In addition, shareholders of both the Service Economy Portfolio and Morgan Growth Fund may exchange shares for shares of other Vanguard Funds by following the procedures described on page 21 of the Morgan Growth Fund Prospectus which are identical to the existing procedures for the Service Economy Portfolio with the exception that Morgan Growth Fund shareholders are limited to two substantive exchange redemptions in any twelve month period, while Service Economy Portfolio shareholders are allowed to make three such exchanges.

6. Income Dividends and Capital Gains Distributions

Both the Service Economy Portfolio and Morgan Growth Fund pay income dividends and distribute capital gains on an annual basis. Shareholders may elect to accept such dividends in additional shares or take them in cash.

If the proposal meets shareholder approval, the Service Economy Portfolio will distribute all accumulated ordinary income and realized net capital gains to shareholders of record on or about June 1, 1994. These distributions will be subject to income taxes for the year in which distributed. For your reference, the table below shows all realized net capital gains on a per share basis as of March 31, 1994. The actual per share capital gains distribution will differ from the figures below depending on portfolio management activity prior to the distributions. Only those capital gains (net of realized capital losses) that have been realized will be distributed prior to the merger. Unrealized capital gains can become realized capital gains as a byproduct of portfolio management activities.

SERVICE ECONOMY PORTFOLIO

<TABLE>
<CAPTION>

<S>	MARCH 31, 1994 <C>
Net Asset Value Per Share	$22.08
Realized Net Capital Gains Per Share	$ 0.25
Unrealized Net Capital Gains Per Share	$ 5.16

</TABLE>

Morgan Growth Fund expects to pay dividends from ordinary income annually in December. Net capital gains distributions, if any, will also be made annually in December.

If you are a Morgan Growth Fund shareholder on the record date for the annual income and capital gains distribution, you will receive the distribution and will be responsible for any applicable income taxes.

For your reference, the table below shows all realized net capital gains and unrealized net capital gains on a per share basis as of March 31, 1994. The actual per share annual capital gains distribution will differ from the figures below depending on portfolio management activity prior to the distribution. Only those capital gains (net of realized capital losses) that have been realized will be distributed. Unrealized capital gains can become realized capital gains as a byproduct of portfolio management activities.

MORGAN GROWTH FUND

<TABLE>
<CAPTION>

<S>	MARCH 31, 1994 <C>
Net Asset Value Per Share	$11.43
Realized Net Capital Gains Per Share	$ 0.21
Unrealized Net Capital Gains Per Share	$ 0.92

</TABLE>

7. Performance

The following chart illustrates the average annual total return of each Fund, as well as that of the unmanaged Standard & Poor's 500 Composite Stock Price Index, for the one-, three-and five-year periods ended December 31, 1993, as well as since the inception of the Service Economy Portfolio on May 23, 1984.

	ONE YEAR	THREE YEARS	FIVE YEARS	5/23/84
Morgan Growth Fund*......................	7.3%	15.0%	12.9%	14.2%
Service Economy Portfolio................	12.0	18.5	13.1	14.3
S&P 500 Index............................	10.1	15.6	14.5	16.2

*Includes advisory fee waivers of $17,000 for 1993 and $8,000 for 1994.

RISK FACTORS

Both the Service Economy Portfolio and Morgan Growth Fund invest principally in common stocks with the objective of long-term capital appreciation. The Service Economy Portfolio concentrates its investments in the service economy industry, while Morgan Growth Fund is more broadly diversified across several industries. The Service Economy Portfolio held 61 securities on January 31, 1994, while Morgan Growth Fund held approximately 325 securities on the same date.

THE PROPOSED REORGANIZATION

1. The Agreement and Plan of Reorganization

The Directors of the Service Economy Portfolio and Morgan Growth Fund, including a majority of the independent Directors of each Fund, have determined that the proposed reorganization is in the best interests of the shareholders of each Fund. The Directors of each Fund, including a majority of the indepen-

dent Directors of each Fund, have further determined that the interest of shareholders of each Fund will not be diluted as a result of the proposed reorganization. The terms and conditions under which the proposed reorganization may be consummated are set forth in the Agreement and Plan of Reorganization, dated as of March 1, 1994, between the Service Economy Portfolio and Morgan Growth Fund (the "Agreement"). The Agreement is attached as Exhibit I to this Combined Proxy Statement and Prospectus. Significant provisions of the Agreement are summarized elsewhere in this Combined Proxy Statement and Prospectus.

2. The Closing Date

The Agreement provides that Morgan Growth Fund will acquire substantially all of the assets of the Service Economy Portfolio in exchange solely for shares of Morgan Growth Fund to be issued to shareholders of the Service Economy Portfolio on June 2, 1994, or such later date as may be agreed upon by the parties (the "Closing Date"). The number of shares of Morgan Growth Fund to be issued to shareholders of the Service Economy Portfolio will be determined on the basis of the relative net assets per share of the two funds computed as of the close of the New York Stock Exchange on the Closing Date. Immediately following the Closing Date, the Service Economy Portfolio will dissolve and distribute pro rata to its shareholders of record, as of the close of business on the Closing Date, the shares of Morgan Growth Fund received by the Service Economy Portfolio.

3. Federal Income Tax Consequences

Consummation of the reorganization is subject to the condition that the Service Economy Portfolio and Morgan Growth Fund receive an opinion of counsel to the effect that the reorganization will not result in a recognition of gain or loss for Federal income tax purposes for either the Service Economy Portfolio or Morgan Growth Fund, or their respective shareholders.

4. Vote Required for Shareholder Approval of the Reorganization

Approval of the Plan of Reorganization will require the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote at this special meeting of shareholders.

ADDITIONAL INFORMATION ABOUT THE PROPOSED REORGANIZATION

REASONS FOR THE PROPOSED REORGANIZATION

The Service Economy Portfolio was formed as a member of The Vanguard Group of Investment Companies in 1984, with the objective of providing long-term capital appreciation by concentrating its investments in the service sector of the economy. Over the period since its inception, the performance of the Service Economy Portfolio has lagged that of competitive standards, as well as that of the overall stock market. Additionally, investor interest in the Portfolio has been modest, limiting the growth of the Portfolio. Consequently, the Service Economy Portfolio's Board of Directors has determined that the expenses involved in maintaining a separate Portfolio for this purpose are no longer warranted.

Due to the Service Economy's focus on a particular sector of the economy, the Portfolio's performance results have also fluctuated in a wider range than many broadly diversified funds. Morgan Growth Fund does

not concentrate its investments in any single industry but invests in a diversified portfolio of stocks covering many sectors of the economy. Thus, Morgan Growth Fund provides shareholders of the Service Economy Portfolio a much more broadly diversified portfolio. Morgan Growth Fund is similar to the Service Economy Portfolio in several ways. After the merger, shareholders would still maintain a significant interest in the service sector as Morgan Growth Fund invests a substantial portion of its assets in the service sector of the economy. In addition, the Morgan Growth Fund invests in companies covering a wide range of market capitalizations. On average the market capitalization of the two portfolios are similar. Both Portfolios emphasize growth stocks. The respective investment returns of each Fund are as shown on page 19 under "Performance Summary". The Service Economy Portfolio and approximately 40% of the assets of Morgan Growth Fund are managed by WMC. Over longer-term periods, the total return of the Service Economy Portfolio and Morgan Growth Fund have been similar, however, Morgan Growth Fund has been less volatile, reflecting its broader diversification.

Given this background, the Officers and Directors of the Service Economy Portfolio have carefully evaluated the Service Economy Portfolio's performance record since inception, giving careful consideration to the risks and opportunities of making changes. The Officers and Directors have concluded that it would be in the best interest of the Portfolio and its shareholders that the assets of the Portfolio be acquired by Morgan Growth Fund.

THE PLAN OF REORGANIZATION

The Agreement provides that Morgan Growth Fund will acquire substantially all of the assets of the Service Economy Portfolio in exchange solely for shares of common stock ($.001 par value) of Morgan Growth Fund on the Closing Date, June 2, 1994 or such later date as may be agreed upon by the parties. The number of shares of Morgan Growth Fund to be issued to shareholders of the Service Economy Portfolio will be determined on the basis of relative net asset values per share of the two Funds computed as of the close of the New York Stock Exchange on the Closing Date. The net asset value per share for each Fund will be determined by dividing the total value of each Fund's investments and other assets, less any liabilities, by the total of its outstanding shares using the valuation procedures set forth under "The Fund's Share Price" on page 14 of the accompanying Morgan Growth Fund Prospectus.

As of the close of business on March 1, 1994, each share of the Service Economy Portfolio was valued at $23.42 and each share of Morgan Growth Fund was valued at $12.09, for purposes of computing the exchange ratio. Using this value, a total of approximately 2,841,682 shares of Morgan Growth Fund would have been issuable to the Service Economy Portfolio pursuant to the Agreement, representing an exchange ratio of 1.94 shares of Morgan Growth Fund for each share of the Service Economy Portfolio then outstanding. The computation of this exchange ratio, had the transaction taken place on March 1, 1994, is set forth as Appendix A to the Agreement.

Immediately following the Closing Date, the Service Economy Portfolio will dissolve and distribute pro rata to its shareholders of record as of the close of business on the Closing Date, the shares of Morgan Growth Fund received by the Service Economy Portfolio. Such liquidation and distribution will be accomplished by the establishment of open accounts on the share records of Morgan Growth Fund in the names of such Service Economy Portfolio shareholders and representing the respective pro rata number of shares of Morgan Growth Fund due such shareholders. Fractional shares of Morgan Growth Fund will be carried to the

third decimal place. As promptly as practicable after the Closing Date, each holder of any outstanding certificate or certificates representing shares of the

Service Economy Portfolio may surrender the same to The Vanguard Group, Inc., as transfer agent for Morgan Growth Fund, and request in exchange therefore a certificate representing the number of whole shares of Morgan Growth Fund into which shares of the Service Economy Portfolio theretofore represented by the certificate or certificates so surrendered shall have been converted. However, no fractional share certificates will be issued. Morgan Growth Fund will issue new certificates only upon written request. Until so surrendered, each outstanding certificate, which, prior to the Closing Date, represented shares of the Service Economy Portfolio shall be deemed for all purposes to evidence ownership of the number of shares of Morgan Growth Fund into which the former shares of the Service Economy Portfolio have been converted.

The consummation of the Agreement is further subject to the customary conditions applicable to corporate reorganizations of this type as set forth in Section 8 of the Agreement. Moreover, the Agreement may be terminated and the reorganization abandoned at any time, before or after consent of the two parties, or by either party if any condition set forth in Section 8 has not been fulfilled by the other party or waived by the party entitled to its benefits.

EXPENSES OF THE REORGANIZATION

The Service Economy Portfolio and Morgan Growth Fund will each bear such expenses of entering into and carrying out the provisions of the Agreement as will be separately incurred by it. The expenses of Morgan Growth Fund will include legal and accounting fees, and are expected to be minimal. The Service Economy Portfolio expenses will include: the costs of the special meeting; proxy costs (including all costs of solicitation, printing and mailing of this Proxy Statement); the expenses of its proposed liquidation and dissolution; and legal and accounting fees. It is estimated that these expenses will not exceed $15,000.

TAX CONSEQUENCES

Consummation of the proposed reorganization is conditioned upon receipt of an opinion of Stradley, Ronon, Stevens and Young, counsel to the Service Economy Portfolio and Morgan Growth Fund, that the acquisition will qualify as a reorganization within the meaning of Section 368(a)(1)(c) of the Internal Revenue Code of 1986, as amended, and that the proposed reorganization will not result in the recognition of gain or loss for Federal income tax purposes for either the Service Economy Portfolio, Morgan Growth Fund or their respective shareholders. See Section 8(f) of the Agreement.

SHAREHOLDERS' RIGHTS

There are no material differences between the rights of the Service Economy Portfolio's shareholders and the rights of Morgan Growth Fund's shareholders. Morgan Growth Fund and the Service Economy Portfolio are each Maryland corporations. Shares of both Funds are fully paid and nonassessable. Holders thereof have noncumulative voting rights and equal rights with respect to dividends, assets and liquidations, but no preemptive rights. Shareholders of the Service Economy Portfolio will not be entitled to any "dissenters rights" under Maryland law since the reorganization is between two open-end investment companies registered under the Investment Company Act of 1940.

However, shareholders who find that the proposed reorganization does not meet their particular investment needs and objectives, may consider two additional options: (1) exchanging their holdings without sales commissions into another mutual fund in The Vanguard Group, currently offering its shares to new investors, which is better suited to their goals; or (2) redeeming shares for cash. These options are available to a Service Economy Portfolio shareholder both before and, as a Morgan Growth Fund shareholder, after the reorganization. Shareholders who exercise either of these options on or after April 18, 1994 will not be subject to the 1% redemption fee. Exchanges and redemptions are both taxable events so either action will result in the realization of a capital gain or capital loss to the shareholder, depending upon the original cost basis of the shareholder's investment.

CAPITALIZATION

The following table shows the capitalization of the Service Economy Portfolio and Morgan Growth Fund as of March 1, 1994, and on a pro forma basis as of that date giving effect to the proposed acquisition of assets at net asset value.

<TABLE>
<CAPTION>

	SERVICE ECONOMY PORTFOLIO	MORGAN GROWTH FUND	PRO FORMA COMBINED

	-------	-----------	-----------
<S>	<C>	<C>	<C>
Net Assets (000)................................	$34,483	$ 1,131,549	$ 1,166,032
Net Assets Per Share............................	$ 23.42	$ 12.09	$ 12.09
Shares Outstanding (000)........................	1,472	93,593	96,435

</TABLE>

The relative net asset values do not include the respective expenses to each Fund connected with the reorganization; however, such expenses would not be expected to cause the net asset value to change by more than $.01 per share for either Fund.

ADDITIONAL INFORMATION ON THE SERVICE ECONOMY PORTFOLIO AND MORGAN GROWTH FUND

THE SERVICE ECONOMY PORTFOLIO

1. Background

The Service Economy Portfolio was established in 1984. The objective in forming the Service Economy Portfolio was to provide investors with a means to concentrate their investments in the service economy industry.

2. Investment Objective and Policies

The objective of the Service Economy Portfolio is to provide long-term growth of capital for its shareholders by investing primarily in common stocks concentrated in the service economy industry.

3. Investment Adviser

The Service Economy Portfolio employs Wellington Management Company ("WMC") to manage the investment and reinvestment of the assets of the Portfolio and to continuously review, supervise and administer the Portfolio's investment program. WMC discharges its responsibilities subject to the control of the officers and Directors of the Service Economy Portfolio. Mr. Matthew E. Megargel serves as portfolio manager of the Fund.

The Service Economy Portfolio pays WMC a Basic Fee at the end of each fiscal quarter, calculated by applying a quarterly rate, based on the annual percentage rates set forth on page 5.

The advisory fee is based on the total assets for five of the Portfolios of Vanguard Specialized Portfolios (Health Care, Service Economy, Energy, Technology and Utilities Income) and is allocated to each Portfolio based on the net assets of each. For the fiscal year ended January 31, 1994, the investment advisory fee represented an effective annual rate of .14 of 1% of average net assets for each Portfolio.

During the fiscal years ended January 31, 1992, 1993 and 1994, the Service Economy Portfolio paid the advisory fees of $50,000, $40,000, and $46,000.

MORGAN GROWTH FUND

1. Background

Morgan Growth Fund was organized in 1968 as an open-end diversified management investment company.

2. Investment Objective and Policies

Morgan Growth Fund seeks to provide long-term capital appreciation by investing primarily in the equity securities of growth companies. See "Investment Objective" and "Investment Policies" on page 4 of the Morgan Growth Fund Prospectus.

3. Investment Adviser

Morgan Growth Fund employs a multi-manager approach with Wellington Management Company ("WMC") managing approximately 40% of the Fund's assets. FPA is responsible for the investment of approximately 33% of the Fund's assets, Husic Capital Management serves as investment adviser with respect to approximately 13% of the Fund's assets, Vanguard's Core Management Group is responsible for the investment of approximately 9% of the Funds assets, and approximately 5% of the Fund's assets are held in cash.

Morgan Growth Fund pays WMC a Basic Fee at the end of each fiscal quarter, calculated by applying a quarterly rate, based on the annual percentage rates set forth on page 5, to WMC's portion of Morgan Growth Fund's average month-end net assets for the quarter.

The Fund pays FPA a basic advisory fee calculated by applying varying percentage rates to the average net assets of the Fund managed by FPA as set forth on page 6.

The Fund pays Husic a basic advisory fee calculated by applying various percentage rates to the average net assets of the Fund managed by Husic as set forth on page 6.

The basic advisory fees payable to WMC, FPA and Husic may be increased or decreased by applying an adjustment formula ("incentive/penalty fee") based on the respective adviser's performance relative to that of the Growth Fund Stock Index as set forth beginning on page 6.

The investment performance of Morgan Growth Fund for any period, expressed as a percentage of Morgan Growth Fund's net asset value per share at the beginning of such period, is the sum of: (i) the change in Morgan Growth Fund's net asset value per share during such period; (ii) the value of Morgan Growth Fund's cash distributions per share having an ex-dividend date occurring within such period; and (iii) the per share amount of capital gains taxes paid or accrued during such period by Morgan Growth Fund for undistributed realized long-term capital gains. The investment record of the Growth Stock Fund Index for any period, expressed as a percentage of the Growth Fund Stock Index level at the beginning of such period, is the sum of (i) the change in the level of the Growth Fund Stock Index, during such period and (ii) the value, computed consistently with the Growth Fund Stock Index, of cash distributions having an ex-dividend date occurring within such period made by companies whose securities comprise the Growth Fund Stock Index all subject to and in accordance with any then applicable rules of the Securities and Exchange Commission.

For the purpose of determining the fee adjustment for investment performance, the net assets of Morgan Growth Fund are averaged over the same period as the investment performance of Morgan Growth Fund and the investment record of the Growth Fund Stock Index are computed.

During the three fiscal years ended December 31, 1993, Morgan Growth Fund paid WMC the following advisory fees:

	1991	1992	1993
Basic Fee	$1,022,000	$1,146,158	$1,198,679
Increase (Decrease) for Performance Adjustment	(169,000)	--	(235,201)
Total	$ 950,000	$1,146,158	963,478

During the three fiscal years ended December 31, 1993, Morgan Growth Fund paid FPA the following advisory fees:

	1991	1992	1993
Basic Fee	$ 322,618	$ 96,012	470,526
Increase for Performance Adjustment	92,051	--	--
Total	$ 414,669	$ 96,012	470,526

For the period June 28, 1993 to December 31, 1993, the Fund paid Husic an advisory fee of $140,254.

The present agreements with WMC and FPA continue until April 23, 1994 and the present agreement with Husic continues until September 30, 1995. The agreements are renewable thereafter for successive one year periods, only if each renewal is specifically approved by a vote of the Board of Directors, including the affirmative votes of a majority of the Directors who are not parties to the contract or "interested persons" (as defined in the Investment Company Act of 1940) of any such party, cast in person at a meeting called for the purpose of considering such approval. The agreements are automatically terminated if assigned, and may be terminated without penalty at any time (1) either by vote of the Board of Directors of the Fund, or (2) by WMC, FPA and Husic upon 90 days written notice to Morgan Growth Fund.

INVESTMENT LIMITATIONS

The investment limitations for Morgan Growth Fund summarized on page 7 of the Prospectus are substantially identical to those applicable to the Service Economy Portfolio. These investment limitations may not be changed without shareholder approval except that Morgan Growth Fund is prohibited from investing more than 25% of its assets in any one industry.

PORTFOLIO BROKERAGE

The portfolio brokerage policies of the Service Economy Portfolio and Morgan Growth Fund are identical. In this respect the investment advisory agreements for each Fund authorize the investment advisers, with the approval of such Fund's Board of Directors, to select the brokers or dealers that will execute the purchases and sales of portfolio securities for the Fund and directs the investment advisers to use their best efforts to obtain the best available price and most favorable execution with respect to all transactions for the Fund. The investment advisers have undertaken to execute each investment transaction at a price and commission which provides the most favorable total cost or proceeds obtainable under the circumstances.

In placing portfolio transactions, the investment advisers use their 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 may be given to those brokers who supply investment research and statistical information and provide other services in addition to execution services to the Fund and/or the investment advisers. Each investment adviser considers the investment services it receives useful in the performance of its obligations under the agreement, but is unable to determine the amount by which such services may reduce its expenses.

Each investment advisory agreement also incorporates the concepts of Section 28(e) of the Securities Exchange Act of 1934 by providing that, subject to the approval of the Fund's Board of Directors, the investment adviser may cause the Fund to pay a broker-dealer which furnishes brokerage and research services at a higher commission than that which might be charged by another broker-dealer for effecting the same transaction; provided that such commission is deemed reasonable in terms of either that particular transaction or the overall responsibilities of the investment adviser to the Fund and the other Funds in the Group.

Currently, it is Morgan Growth Fund's policy that the investment advisers may at times pay higher commissions in recognition of brokerage services felt necessary for the achievement of better execution of certain securities transactions that otherwise might not be available. Each investment adviser will pay such higher commissions only if it believes this to be in the best interest of the Fund. Some brokers or dealers who

may receive such higher commissions in recognition of brokerage services related to execution of securities transactions are also providers of research information to the investment adviser and/or the Fund. However, each investment adviser has informed the Fund that it will not pay higher commission rates specifically for the purpose of obtaining research services.

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

During the fiscal year ended January 31, 1994, the Service Economy

Portfolio paid approximately $30,000 in brokerage commissions and had a portfolio turnover rate of 29%. During the fiscal year ended December 31, 1993, Morgan Growth Fund paid approximately $1,577,672 in brokerage commissions, and had a portfolio turnover rate of 72%.

THE VANGUARD GROUP

The Service Economy Portfolio and Morgan Growth Fund are members of The Vanguard Group of Investment Companies. Through their jointly-owned subsidiary, The Vanguard Group, Inc., the member Funds obtain at cost virtually all of their corporate management, administrative and distribution services. See page 8 of the Morgan Growth Fund Prospectus.

LITIGATION

Neither the Service Economy Portfolio nor Morgan Growth Fund is involved in any litigation.

PERFORMANCE SUMMARY

The following table shows the investment results of the Service Economy Portfolio and Morgan Growth Fund as compared to changes in the unmanaged Standard & Poor's 500 Composite Stock Price Index (the "S&P 500"). This comparison is designed to provide an historical basis for evaluation of the proposed reorganization by covering the relative investment performance of the Service Economy Portfolio, Morgan Growth Fund and the S&P 500 since the inception of the Service Economy Portfolio. The results shown represent "total return" investment performance which assumes the reinvestment of all capital gains and income dividends for the indicated periods. The investment performance should be considered in light of each Fund's investment objectives and policies, the characteristics and quality of each Fund's investments, and the period selected. Future investment results cannot be predicted.

YEAR ENDED DECEMBER 31	SERVICE ECONOMY PORTFOLIO	MORGAN GROWTH FUND	S&P 500 INDEX
1985	43.7%	30.3%	31.6%
1986	12.8	7.8	18.6
1987	-13.0	5.0	5.2
1988	19.1	22.3	16.5
1989	31.5	22.7	31.6
1990	-15.4	-1.5	-3.1
1991	34.3	29.3	30.4
1992	10.6	9.5	7.6
1993	12.0	7.3	10.1
Cumulative 3 Year	66.5	52.0	54.4
Cumulative 5 Year	85.3	83.7	96.9
Cumulative Since 5/23/84	259.8	258.5	323.0
Annualized 3 Year	18.5	15.0	15.6
Annualized 5 Year	13.1	12.9	14.5
Annualized Since 5/23/84	14.3	14.2	16.2

MORGAN GROWTH FUND FINANCIAL HIGHLIGHTS

The following financial highlights for a share outstanding throughout each period, insofar as it relates to each of the five years in the period ended December 31, 1993, have been audited by Price Waterhouse, independent accountants, whose report thereon was unqualified. This information should be read in conjunction with the Fund'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 report of Price Waterhouse, in the Fund's 1993 Annual Report to the Shareholders.

	YEAR ENDED DECEMBER 31,									
	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984

NET ASSET VALUE, BEGINNING OF YEAR	$12.65	$12.20	$10.40	$11.72	$10.27	$ 9.39	$11.50	$13.82	$11.45	$13.84
INVESTMENT OPERATIONS										
Net Investment Income	.18	.18	.29	.32	.28	.25	.23	.21	.23	.25
Net Realized and Unrealized Gain (Loss) on Investments	.71	.97	2.66	(.50)	2.04	1.85	.31	.78	2.99	(.94)
TOTAL FROM INVESTMENT OPERATIONS	.89	1.15	2.95	(.18)	2.32	2.10	.54	.99	3.22	(.69)
DISTRIBUTIONS										
Dividends from Net Investment Income	(.18)	(.18)	(.29)	(.34)	(.28)	(.24)	(.20)	(.43)	(.25)	(.31)
Distributions from Realized Capital Gains	(1.35)	(.52)	(.86)	(.80)	(.59)	(.98)	(2.45)	(2.88)	(.60)	(1.39)
TOTAL DISTRIBUTIONS	(1.53)	(.70)	(1.15)	(1.14)	(.87)	(1.22)	(2.65)	(3.31)	(.85)	(1.70)
NET ASSET VALUE, END OF YEAR	$12.01	$12.65	$12.20	$10.40	$11.72	$10.27	$ 9.39	$11.50	$13.82	$11.45
TOTAL RETURN	7.32%	9.54%	29.33%	(1.51%)	22.66%	22.34%	5.02%	7.63%	30.29%	(6.06%)
RATIOS/SUPPLEMENTAL DATA										
Net Assets, End of Year (Millions)	$1,135	$1,116	$957	$697	$733	$ 622	$ 538	$594	$665	$468
Ratios of Expenses to Average Net Assets	.49%	.48%	.46%	.55%	.51%	.55%	.46%	.54%	.60%	.68%
Ratio of Net Investment Income to Average Net Assets	1.36%	1.51%	2.36%	2.77%	2.38%	2.20%	1.52%	1.49%	1.96%	2.51%
Portfolio Turnover Rate	72%	64%	52%	73%	27%	32%	43%	31%	42%	38%

</TABLE>

SERVICE ECONOMY PORTFOLIO FINANCIAL HIGHLIGHTS

The following financial highlights for a share outstanding throughout each period, insofar as it relates to each of the five years in the period ended January 31, 1994, has been audited by Price Waterhouse, independent accountants, whose report thereon was unqualified. This information should be read in conjunction with the Fund'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 report of Price Waterhouse, in the Fund's 1994 Annual Report to the Shareholders.

<TABLE>
<CAPTION>

	YEAR ENDED JANUARY 31,									
	1994	1993	1992	1991	1990	1989	1988	1987	1986	MAY 23, 1984, TO JAN. 31, 1985
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$22.36	$19.89	$15.77	$16.87	$16.05	$13.63	$19.45	$16.88	$12.69	$10.00
INVESTMENT OPERATIONS										
Net Investment Income	.22	.17	.28	.34	.41	.26	.51	.38	.20	.12
Net Realized and Unrealized Gain (Loss) on Investments	3.51	2.47	4.16	(.78)	1.66	2.41	(3.40)	3.05	4.20	2.57
TOTAL FROM INVESTMENT OPERATIONS	2.73	2.64	4.44	(.44)	2.07	2.67	(2.89)	3.43	4.40	2.69
DISTRIBUTIONS										
Dividends from Net Investment										

Income............	(.22)	(.17)	(.28)	(.39)	(.41)	(.25)	(.88)	(.16)	(.09)	--
Distributions from Realized Capital Gain......	(.93)	--	(.04)	(.27)	(.84)	--	(2.05)	(.70)	(.12)	--
TOTAL DISTRIBUTIONS...	(1.15)	(.17)	(.32)	(.66)	(1.25)	(.25)	(2.93)	(.86)	(.21)	--
NET ASSET VALUE, END OF PERIOD.......	$23.94	$22.36	$19.89	$15.77	$16.87	$16.05	$13.63	$19.45	$16.88	$12.69
TOTAL RETURN*.........	12.45%	13.30%	28.31%	(2.54%)	12.33%	19.73%	(16.40%)	20.77%	35.16%	26.90%
RATIOS/SUPPLEMENTAL DATA										
Net Assets, End of Year (Millions).....	$35	$30	$22	$17	$21	$22	$24	$49	$34	$3
Ratios of Expenses to Average Net Assets..............	.41%	.56%	.48%	.59%	.43%	.86%	.44%	.48%	.57%	.38%**
Ratio of Net Investment Income to Average Net Assets..........	.96%	.93%	1.47%	1.99%	2.10%	1.57%	2.08%	1.61%	2.24%	2.92%**
Portfolio Turnover Rate................	29%	38%	43%	34%	83%	33%	49%	96%	54%	125%**

</TABLE>

*Total return figures do not reflect the redemption fee equaling 1% of the value of shares redeemed, which is withheld from the redemption proceeds and paid directly to the Portfolio.

**Annualized.

FINANCIAL STATEMENTS AND EXPERTS

The financial statements of the Service Economy Portfolio and Morgan Growth Fund have been audited by Price Waterhouse, independent accountants, for the periods indicated in said firm's reports thereon which are included in the respective 1993 and 1994 Annual Reports to Shareholders. Such financial statements have been referred to herein in reliance on the reports of Price Waterhouse given on the authority of said firm as experts in auditing and accounting.

INFORMATION FILED WITH THE SECURITIES AND EXCHANGE COMMISSION

The Service Economy Portfolio and Morgan Growth Fund are subject to the informational requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, and in accordance therewith file reports, proxy material and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy material and other information can be inspected and copied at the Public Reference Room maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission., Washington, D.C. 20549.

VOTE REQUIRED

Approval of the Agreement and Plan of Reorganization, including the dissolution of the Service Economy Portfolio, will require the favorable vote of a majority of the shares of common stock of the Portfolio outstanding and entitled to vote at this Special Meeting of Shareholders. THE DIRECTORS RECOMMEND APPROVAL OF THE AGREEMENT AND PLAN OF REORGANIZATION.

The Board of Directors of the Service Economy Portfolio has not determined what action it will take in the event shareholders fail to approve the Reorganization or for any reason the transaction with Morgan Growth Fund is not consummated. However, if the Reorganization is not approved by the shareholders of the Service Economy Portfolio, the Board of Directors will consider alternative dispositions of the Fund's net assets, including the sale of assets to, or merger with, another investment company.

OTHER MATTERS

On March 1, 1994, the following shareholders held more than 5% of the outstanding shares of the Service Economy Portfolio:

The Board of Directors knows of no other business to be brought before the meeting. However, if any other matters come before the meeting, it is the intention that proxies which do not contain specific restrictions to the contrary will be voted on such matters in accordance with the judgment of the persons named in the enclosed form of proxy.

Further information about Morgan Growth Fund is contained in the accompanying Morgan Growth Fund Prospectus (Exhibit II). Shareholders of the Service Economy Portfolio are urged to read this Proxy Statement and the Morgan Growth Fund Prospectus carefully prior to executing and returning their proxies and to retain the Prospectus for future reference.

EXHIBIT I

AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT AND PLAN OF REORGANIZATION, made as of this 1st day of March, 1994, by and between Vanguard Specialized Portfolios, Inc. (hereinafter called "VSP"), a Maryland corporation, with its principal place of business at 100 Vanguard Boulevard, Malvern Pennsylvania 19355 and Vanguard/Morgan Growth Fund, Inc. (hereinafter called "Vanguard/Morgan Growth"), a Maryland corporation, with its principal place of business at 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

PLAN OF REORGANIZATION

The reorganization (hereinafter referred to as the "Plan of Reorganization") will consist of (i) the acquisition by Vanguard/Morgan Growth Fund of substantially all of the property, assets and goodwill of the class of shares of VSP known as the Service Economy Portfolio (the "Service Economy Portfolio") in exchange solely for shares of common stock, $.001 par value per share, of Vanguard/Morgan Growth Fund, (ii) the distribution of such shares of Vanguard/Morgan Growth Fund common stock to the stockholders of the Service Economy Portfolio according to their respective interests, and (iii) the dissolution of the Service Economy Portfolio as soon as practicable after the closing provided for in Section 3, all upon and subject to the terms and conditions of the Agreement hereinafter set forth.

AGREEMENT

In order to consummate the Plan of Reorganization and in consideration of the premises and of the covenants and agreements hereinafter set forth, the parties hereto covenant and agree as follows:

1. SALE AND TRANSFER OF ASSETS, LIQUIDATION AND DISSOLUTION OF THE SERVICE ECONOMY PORTFOLIO

a. The Service Economy Portfolio agrees that it will convey, transfer and deliver to Vanguard/Morgan Growth Fund at the closing provided for in Section 3 (hereinafter called the "Closing") all of its then existing assets free and clear of all liens, encumbrances and claims whatsoever, except for cash or bank deposits in an amount necessary to pay: (1) its costs and expenses of carrying out this Agreement (including but not limited to fees of counsel and accountants, its income dividend payable prior to the Closing Date, and expenses of its liquidation and dissolution contemplated hereunder); (2) to discharge its unpaid liabilities on its books at the Closing Date; and (3) to pay such contingent liabilities as the directors shall reasonably deem to exist against the Service Economy Portfolio, if any, at the Closing Date, for which contingent and other appropriate liability reserves shall be established on the Service Economy Portfolio's books. Any unspent portion of such funds retained shall be delivered to Vanguard/Morgan Growth Fund upon dissolution of the Service Economy Portfolio.

b. Subject to the terms and conditions of this Agreement and in reliance on the representations and warranties of the Service Economy Portfolio herein contained, and in consideration of such sale, conveyance, transfer and delivery, Vanguard/Morgan Growth Fund agrees at the Closing to deliver to the Service Economy Portfolio the number of shares of common stock of the Vanguard/Morgan Growth Fund ($.10 par value) determined as set forth in Section 2 hereof.

c. Immediately following the Closing Date, the Service Economy Portfolio will liquidate and distribute pro rata to its stockholders of record as of the close of business on the Closing Date, the shares of Vanguard/Morgan Growth Fund common stock received by the Service Economy Portfolio pursuant to this Section 1. Such liquidation and distribution will be accompanied by the establishment of open accounts on the stock records of Vanguard/Morgan Growth Fund in the names of such stockholders of the Service Economy Portfolio representing the respective pro rata number of Vanguard/Morgan Growth Fund shares due such stockholders. Fractional shares of Vanguard/Morgan Growth's common stock will be carried to the third decimal place. As promptly as practicable after the Closing Date, each holder of any outstanding certificate or certificates theretofore representing shares of common stock of the Service Economy Portfolio may surrender the same to a Transfer Agent designated by Vanguard/Morgan Growth Fund and request in exchange therefore a certificate or certificates representing the number of whole and fractional shares of common stock of Vanguard/Morgan Growth into which the shares of common stock of the Service Economy Portfolio theretofore represented by the certificate or certificates so surrendered shall have been converted. Certificates for fractional shares of Vanguard/Morgan Growth will not be issued, however, but shall continue to be carried for the open account of such stockholder. Until so surrendered, each outstanding certificate which, prior to the Closing Date, represented common stock of the Service Economy Portfolio shall be deemed for all corporate purposes to evidence ownership of the number of shares of common stock of Vanguard/Morgan Growth into which the common stock of the Service Economy Portfolio (which, prior to the Closing Date, were represented thereby) have been so converted.

d. As promptly as practicable after the liquidation of the Service Economy Portfolio as aforesaid, the Service Economy Portfolio shall be dissolved pursuant to the provisions of the General Laws of the State of Maryland and its legal existence shall be terminated as provided therein.

2. EXCHANGE RATIO

a. The value of the Service Economy Portfolio's assets to be acquired by Vanguard/Morgan Growth Fund hereunder shall be the net asset value computed as of the close of business (close of the New York Stock Exchange) on the Closing Date, using the valuation procedures set forth in Vanguard/Morgan Growth Fund's registration statement under the Securities Act of 1933.

b. The total net assets of the Service Economy Portfolio determined under (a) shall be divided by the number of shares of its outstanding common stock, excluding treasury shares, to determine the Service Economy Portfolio's net asset value per share as of the close of business on the Closing Date.

c. The net asset value of a Vanguard/Morgan Growth share of common stock shall be determined to the nearest full cent as of the close of business on the Closing Date, using the valuation as set forth in Vanguard/Morgan Growth Fund's registration statement under the Securities Act of 1933.

d. The net asset value per share for the Service Economy Portfolio as determined in (b) shall then be divided by the Vanguard/Morgan Growth net asset value per share as determined in (c) to determine the exchange ratio. See Appendix A to this Agreement for an example of how to determine the exchange ratio.

3. CLOSING AND CLOSING DATE

The Closing shall be June 2, 1994, or such later date as the parties may mutually agree. The Closing shall take place at the principal office of Vanguard/Morgan Growth Fund, 100 Vanguard Boulevard, Malvern Pennsylvania 19355, at 4:30 P.M., E.S.T. The Service Economy Portfolio shall have provided for delivery at the Closing of its assets to State Street Bank and Trust Company, Boston, Massachusetts, as Custodian for Vanguard/Morgan Growth Fund. The Service Economy Portfolio shall deliver at the Closing a list of names and addresses of the stockholders of the Service Economy Portfolio and the number of shares owned by each such stockholder, indicating thereon which such shares are represented by outstanding certificates and which by open accounts, all as of the close of business on the Closing Date, certified by its Transfer Agent. Vanguard/Morgan Growth Fund shall issue and deliver a certificate or certificates evidencing the shares of Vanguard/Morgan Growth's common stock to be delivered at the Closing to said Transfer Agent registered in such manner as the Service Economy Portfolio may request, or provide evidence satisfactory to the Service Economy Portfolio that such shares of Vanguard/Morgan Growth's common stock have been registered in an open account on the books of Vanguard/Morgan Growth Fund in such manner as the Service Economy Portfolio may request. Simultaneous with the Closing, the parties shall cause the filing of Articles of Transfer with respect to the sale and transfer of assets contemplated hereunder with the Department of Assessments and Taxation of the State of Maryland.

4. REPRESENTATIONS AND WARRANTIES BY THE SERVICE ECONOMY PORTFOLIO

The Service Economy Portfolio represents and warrants that:

a. The Service Economy Portfolio is a series of shares of a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland and has all corporate power and authority to conduct its business as such business is now being conducted.

b. The Service Economy Portfolio has a duly authorized capital consisting of 120,000,000 shares of common stock ($.001 par value) of which approximately 1,472,096 shares were issued and outstanding on the date hereof. All of its presently outstanding shares are validly issued, fully paid and non-assessable by it.

c. The Service Economy Portfolio is duly registered as a diversified, open-end management company under the Investment Company Act of 1940.

d. There has been mailed to each stockholder of record of the Service Economy Portfolio entitled to vote at the meeting of stockholders, at which action on this Agreement is to be considered, a Combined Proxy Statement and Prospectus which complies in all material respects with the applicable provisions of the federal securities laws and the rules and regulations thereunder.

e. The financial statements appearing in the Service Economy Portfolio's annual report for the year ended January 31, 1994, audited by Price Waterhouse, a copy of which has been delivered to Vanguard/Morgan Growth Fund, and similar unaudited financial statements and other financial data as of May 31, 1994, and for the period then ended, which will be delivered to Vanguard/ Morgan Growth Fund by the principal financial officer of the Service Economy Portfolio prior to Closing, fairly present the financial position of the Service Economy Portfolio as of the respective dates indicated and the results of its operations

and changes in net assets for the respective periods indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

5. REPRESENTATIONS AND WARRANTIES BY VANGUARD/MORGAN GROWTH FUND

Vanguard/Morgan Growth Fund represents and warrants that:

a. Vanguard/Morgan Growth Fund is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland and has all corporate power and authority to conduct its business as such business is presently being conducted.

b. Vanguard/Morgan Growth Fund has a duly authorized capital consisting of 150,000,000 shares of common stock ($.10 par value). On the date of this Agreement Vanguard/Morgan Growth had issued and outstanding approximately 93,593,796 shares of common stock. All of its presently outstanding shares are validly issued, fully paid and non-assessable by it.

c. Vanguard/Morgan Growth Fund is duly registered as a diversified, openend investment company under the Investment Company Act of 1940 and is authorized to offer and sell shares of common stock of its two series.

d. Vanguard/Morgan Growth Fund will file with the United States Securities and Exchange Commission a Registration Statement on Form N-14 under the Securities Act of 1933 relating to the shares of Vanguard/Morgan Growth common stock issuable hereunder. Appropriate portions of such Registration Statement after effectiveness will be delivered to stockholders of the Service Economy Portfolio as proxy materials in connection with the solicitation of proxies approving the proposed transaction, and other portions will be available upon request by stockholders. The Registration Statement will note, on its facing page, that the securities proposed to be distributed thereunder have previously been registered in accordance with Rule 24f-2 under the Investment Company Act of 1940. At the time such Registration Statement becomes effective, it (i) will comply in all material respects with the provisions of the Securities Act of 1933 and the rules and regulations promulgated thereunder, and (ii) will not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements therein not misleading; and at the time the Registration Statement becomes effective, at the time of the Service Economy Portfolio's stockholders' meeting and at the Closing Date, the prospectus included therein will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

e. The common stock of Vanguard/Morgan Growth is duly qualified for offering to the public in all states of the United States, and there are a sufficient number or value of shares of such stock so qualified and a sufficient number of shares registered under the Securities Act of 1933 pursuant to the Investment Company Act of 1940 Rule 24f-2 to permit the transfers contemplated by this Agreement to be consummated.

f. The financial statements appearing in the Vanguard/Morgan Growth Fund Annual Report for the year ended December 31, 1993, audited by Price Waterhouse, copies of which have been delivered to the Service Economy Portfolio, and similar unaudited financial statements and other financial data as of April 30, 1994, and for the period then ended, which will be delivered to the Service Economy Portfolio prior to the Closing by the principal financial officer of Vanguard/Morgan Growth Fund, fairly present the financial position of

Vanguard/Morgan Growth Fund, as of the respective dates indicated and the results of its operations and changes in its net assets for the respective periods indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

6. REPRESENTATIONS AND WARRANTIES BY SERVICE ECONOMY PORTFOLIO AND VANGUARD/MORGAN GROWTH FUND

The Service Economy Portfolio and Vanguard/Morgan Growth Fund each represents and warrants to the other that:

a. The statement of assets and liabilities to be furnished by it as of the close of business on the Closing Date for the purpose of determining the number of shares of Vanguard/Morgan Growth common stock to be issued pursuant to Section 1 of this Agreement will accurately reflect its net assets and outstanding shares of common stock as of such date in conformity with generally accepted accounting principles applied on a consistent basis.

b. On the Closing Date it will have good and marketable title to all of the securities and other assets shown on the statement of assets and liabilities referred to in (a) above free and clear of all liens or encumbrances of any nature whatever except such imperfections of title or encumbrances as do not materially detract from the value or use of the assets subject thereto, or materially affect title thereto.

c. There is no material suit, action or legal or administrative proceeding pending or threatened against it, other than as disclosed in the Combined Proxy Statement and Prospectus prepared in connection with the meeting at which action on this Agreement will be taken.

d. By Closing Date, all of its Federal and other tax returns and reports required by law to be filed shall have been filed, and all Federal and other taxes shown due on said returns shall have been paid.

e. The execution, delivery and performance of this Agreement will have been duly authorized prior to the Closing Date by all necessary corporate action on the part of each corporation and this Agreement constitutes the valid and binding obligation of each corporation enforceable in accordance with its terms.

7. COVENANTS OF THE SERVICE ECONOMY PORTFOLIO AND VANGUARD/MORGAN GROWTH FUND

a. The Service Economy Portfolio and Vanguard/Morgan Growth Fund each covenant to operate its business in the ordinary course between the date hereof and the Closing Date.

b. The Service Economy Portfolio undertakes that it will not acquire the Vanguard/Morgan Growth Fund shares for the purpose of making any distribution thereof other than to its own stockholders.

c. The Service Economy Portfolio undertakes that it will at its own expense prepare and file with the Securities and Exchange Commission a Report on Form N-SAR pursuant to the requirements of the Investment Company Act of 1940 for the period January 31, 1994 through the Closing Date.

8. CONDITIONS PRECEDENT TO BE FULFILLED BY SERVICE ECONOMY PORTFOLIO AND VANGUARD/MORGAN GROWTH FUND

The obligations of each of the parties to effectuate the Plan of Reorganization hereunder shall be subject to the following conditions:

a. The representations and warranties of each Party contained herein shall be true as of and at the Closing Date with the same effect as though made at such date; each Party shall have performed all obligations required by this Agreement to be performed by it prior to the Closing Date; and each Party shall have delivered to it a certificate dated the Closing Date signed by its Chairman of the Board or President and by its Secretary or Assistant Secretary to the foregoing effect.

b. Each Party shall have delivered a certified copy of the resolution approving this Agreement adopted by at least a majority vote of its directors, including a majority of its directors who are not "interested persons" as defined in the Investment Company Act of 1940.

c. The Securities and Exchange Commission shall not have issued an unfavorable advisory report under Section 25(b) of the Investment Company Act of 1940 nor instituted any proceeding seeking to enjoin consummation of the reorganization under Section 25(c) of the Investment Company Act of 1940.

d. The holders of at least a majority of the outstanding shares of common stock of the Service Economy Portfolio shall have voted in favor of the adoption of this Agreement and the reorganization contemplated hereby at an annual or special meeting.

e. The Service Economy Portfolio shall have declared a distribution or distributions prior to the Closing Date which, together with all previous distributions, shall have the effect of distributing to its stockholders all of its net investment income and capital gains since the close of its last fiscal year.

f. That there shall be delivered to the Fund an opinion from Messrs. Stradley, Ronon, Stevens & Young, counsel to the Fund, to the effect that provided the acquisition contemplated hereby is carried out in accordance with this Plan:

(1) Provided the acquisition is carried out in accordance with the applicable laws of Maryland, the acquisition by Vanguard/Morgan Growth Fund of substantially all of the assets of the Service Economy Portfolio as provided for herein in exchange for Vanguard/Morgan Growth Fund shares will qualify as a reorganization within the meaning of Section 368(a)(1)(C) of the Code, and Vanguard/Morgan Growth Fund will each be a party to the respective reorganization within the meaning of Section 368(b) of the Code; for purposes of this opinion, "substantially all" means at least 70% of the fair market of the gross assets and at least 90% of the fair market value of the net assets;

(2) No gain or loss will be recognized by Service Economy Portfolio upon the transfer of substantially all of its assets to Vanguard/Morgan Growth Fund in exchange solely for voting shares of Vanguard/Morgan Growth Fund (Code Section 361(a));

(3) No gain or loss will be recognized by Vanguard/Morgan Growth Fund upon the receipt of substantially all of the assets of Growth Fund in exchange solely for voting shares of Vanguard/Morgan Growth Fund (Code Section 1032(a));

(4) The basis of the assets of Service Economy Portfolio received by Vanguard/Morgan Growth Fund will be the same as the basis of such assets to Growth Fund immediately prior to the exchange (Code Section 362(b));

(5) The holding period of the assets of Service Economy Portfolio received by Vanguard/Morgan Growth Fund will include the period during which such assets were held by the Service Economy Portfolio (Code Section 1223(2));

(6) No gain or loss will be recognized to the shareholders of Service Economy Portfolio upon the exchange of their shares in Service Economy Portfolio for voting shares of Vanguard/Morgan Growth Fund (including fractional shares to which they may be entitled) (Code Section 354(a)(1));

(7) The basis of Vanguard/Morgan Growth Fund voting shares received by Service Economy Portfolio shareholders (including fractional shares to which they may be entitled) will be the same as the basis of the shares of Service Economy Portfolio surrendered in exchange therefor (Code Section 358(a)(1));

(8) The holding period of Vanguard/Morgan Growth Fund voting shares received by Service Economy Portfolio shareholders (including fractional shares to which they may be entitled) will include the holding period of Service Economy Portfolio shares surrendered in exchange therefor, provided that Service Economy Portfolio shares were held as a capital asset on the date of the exchange (Code Section 1223(1)); and

(9) Pursuant to Section 381(a) of the Code and Treasury Regulation Section 1.381-1(a), Vanguard/Morgan Growth Fund will succeed to and take into account as of the date of the proposed transfer (as defined in Treasury Regulation sec. 1.381 (b)-1(b)) the items of Service Economy Portfolio described in Section 381(c) of the Code, including any "pro-change capital loss" of Service Economy Portfolio within the meaning of Treasury Regulation sec. 1.383-1(c)(2), subject to the conditions and

limitations specified in Sections 381(b) and (c), 382, 383 and 384 of the Code.

(10) Where a dissenting shareholder of Service Economy Portfolio receives cash solely in exchange for his or her stock, such cash will be treated as having been received by the shareholder as a distribution in redemption of his or her stock subject to the provisions and limitations of Section 302 of the Code.

9. BROKERAGE FEES AND EXPENSES

The Service Economy Portfolio and Vanguard/Morgan Growth Fund each represent and warrant to the other that there are no brokers or finders fees payable in connection with the transactions provided for herein.

The Service Economy Portfolio and Vanguard/Morgan Growth Fund shall each bear such expenses of entering into and carrying out the provisions of this Agreement as have been separately incurred by it. No Party shall pay any expenses, if any, of its stockholders arising out of the reorganization.

10. TERMINATION; WAIVER; ORDER

a. Anything contained in this Agreement to the contrary notwithstanding, this Agreement may be terminated and the reorganization abandoned at any time whether before or after adoption hereof by the stockholders of the Service Economy Portfolio prior to the Closing Date.

(1) by mutual consent of the Parties;

(2) by either of the Parties if any condition set forth in Section 8 hereof has not been fulfilled or waived by it;

b. An election by a Party to terminate this Agreement and abandon the reorganization shall be exercised by its Board of Directors.

c. In the event of termination of this Agreement pursuant to the provisions hereof the same shall become void and have no effect without any liability on the part of either of the Parties or persons who are its directors, officers or stockholders in respect of this Agreement, provided that this provision shall not protect any director or officer of either of the Parties against any liability to such Party or its stockholders 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.

d. At any time prior to the filing of the Articles of Transfer with the State of Maryland any of the terms or conditions of this Agreement may be waived by the Party entitled to the benefit thereof by action taken by its Board of Directors, or its Chairman of the Board, if, in the judgment of the Board of Directors or Chairman of the Board taking such action, such waiver will not have material adverse effect on the benefits intended under this Agreement to the stockholders of the Party on behalf of which such action is taken.

e. The respective representations and warranties of the Parties contained in Sections 4 through 7 hereof shall expire with, and be terminated by, the reorganization contemplated by this Agreement, and neither the respective Parties nor any of their directors shall be under any liability with respect to any such representations or warranties after the Closing Date. This provision shall not protect any director or officer of a corporation against any liability to such corporation or to its stockholders 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.

f. If any order or orders of the Securities and Exchange Commission with respect to this Agreement shall impose any terms or conditions which are acceptable to both the Service Economy Portfolio and Vanguard/Morgan Growth Fund, such terms and conditions shall be binding as if a part of this Agreement without further vote or approval of the stockholders of the Service Economy Portfolio, unless such terms and conditions shall result in a change in the method of computing the number of shares of Vanguard/Morgan Growth to be issued to the Service Economy Portfolio, in which event, unless such terms and conditions shall have been included in the Combined Proxy Statement and Prospectus solicitation material furnished to the stockholders of the Service Economy Portfolio prior to the meeting at which the transactions contemplated by this Agreement shall have been approved, this Agreement shall not be consummated and shall terminate unless the Service Economy Portfolio shall promptly call a special meeting of stockholders at which conditions so imposed shall be submitted for approval.

11. ENTIRE AGREEMENT AND AMENDMENTS

This Agreement embodies the entire agreement between the parties and there are no agreements, understandings, restrictions or warranties among the parties other than those set forth herein or herein provided for.

12. COUNTERPARTS

This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original but all such counterparts together shall constitute but one instrument.

13. NOTICES

Any notice, report or demand required or permitted by any provision of this Agreement shall be in writing and shall be deemed to have been given if delivered or mailed, first class postage postpaid, addressed to the Service Economy Portfolio or Vanguard/Morgan Growth, as the case may be, at 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement and Plan of Reorganization to be executed on its behalf by its President or a Vice President and its corporate seal to be affixed hereto and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

Attest:	VANGUARD SPECIALIZED PORTFOLIOS, INC.
/s/ RAYMOND J. KLAPINSKY	By: /s/ JOHN J. BRENNAN
Secretary	President
(Corporate Seal)	
Attest:	VANGUARD/MORGAN GROWTH FUND, INC.
/s/ RAYMOND J. KLAPINSKY	By: /s/ JOHN J. BRENNAN
Secretary	President

APPENDIX A

SERVICE ECONOMY PORTFOLIO AND VANGUARD/MORGAN GROWTH FUND
PRO FORMA COMPUTATION OF EXCHANGE RATIO

AS OF MARCH 1, 1994

	VANGUARD/ MORGAN GROWTH FUND	SERVICE ECONOMY PORTFOLIO	PRO FORMA
Net assets	$1,131,549,000	$34,483,000	$1,166,032,000
Percent of combined assets	97%	3%	100%
Issued and outstanding shares	93,593,796	1,472,374	96,435,478
Net asset value per share	$12.09	$23.42	$12.09
Vanguard/Morgan Growth Fund shares to be issued for each Service Economy Portfolio share ($23.42 / $12.09)	1.93		

EXHIBIT II

A Member of The Vanguard Group

PROSPECTUS--APRIL 30, 1993

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

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

<TABLE>
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INVESTMENT OBJECTIVE AND POLICIES	Vanguard/Morgan Growth Fund, Inc. (the "Fund") is an open-end diversified investment company that seeks to provide long-term growth of capital. The Fund invests primarily in common stocks. Dividend income is incidental to this objective. There is no assurance that the Fund will achieve its stated objective.
OPENING AN 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 ($500 for Individual Retirement Accounts and Uniform Gifts to Minors Act accounts). The Fund is offered on a no-load basis (i.e., there are no sales commissions or 12b-1 fees). However, the Fund incurs expenses for investment advisory, management, administrative, and distribution services.
ABOUT THIS PROSPECTUS	This Prospectus is designed to set forth concisely the information you should know about the Fund before you invest. It should be retained for future reference. A "Statement of Additional Information" containing additional information about the Fund has been filed with the Securities and Exchange Commission. This Statement is dated April 30, 1993 and has been incorporated by reference into this Prospectus. A copy may be obtained without charge by writing to the Fund or by calling the Investor Information Department.

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<S> <C> <C>

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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.

<TABLE>
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FUND EXPENSES	The following table illustrates all expenses and fees that you would incur as a shareholder of the Fund. The expenses and fees set forth in the table are for the 1992 fiscal year.

</TABLE>

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SHAREHOLDER TRANSACTION EXPENSES

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Sales Load Imposed on Purchases	None
Sales Load Imposed on Reinvested Dividends	None
Redemption Fees	None
Exchange Fees	None

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ANNUAL FUND OPERATING EXPENSES

<S>	<C>	<C>
Management Expenses		0.08%
Investment Advisory Fees		0.19
12b-1 Fees		None
Other Expenses		
Distribution Costs	0.02%	
Shareholder Accounting Costs	0.17	
Miscellaneous Expenses	0.02	
Total Other Expenses		0.21
TOTAL OPERATING EXPENSES		0.48%

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 Fund.

The following example illustrates the expenses that you would incur on a $1,000 investment over various periods, assuming (1) a 5% annual rate of return and (2) redemption at the end of each period. As noted in the table above, the Fund charges no redemption fees of any kind.

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1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>
$5	$15	$27	$61

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.

SELECTED PER SHARE DATA AND RATIOS

The following information on selected per share data and ratios, for a share outstanding throughout each period, insofar as it relates to each of the five years in the period ended December 31, 1992, has been audited by Price Waterhouse, independent accountants, whose report thereon was unqualified. This information should be read in conjunction with the Fund'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 report of Price Waterhouse, in the Fund's 1992 Annual Report to the Shareholders.

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	YEAR ENDED DECEMBER 31,									
	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF YEAR	$12.20	$10.40	$11.72	$10.27	$ 9.39	$11.50	$13.82	$11.45	$13.84	$12.01
INVESTMENT ACTIVITIES										
Income	.24	.35	.38	.34	.31	.30	.29	.30	.32	.42
Expenses	(.06)	(.06)	(.06)	(.06)	(.06)	(.07)	(.08)	(.07)	(.07)	(.11)
Net Investment Income	.18	.29	.32	.28	.25	.23	.21	.23	.25	.31
Net Realized and Unrealized Gain (Loss) on Investments	.97	2.66	(.50)	2.04	1.85	.31	.78	2.99	(.94)	2.81
TOTAL FROM INVESTMENT ACTIVITIES	1.15	2.95	(.18)	2.32	2.10	.54	.99	3.22	(.69)	3.12

DISTRIBUTIONS										
Net Investment Income	(.18)	(.29)	(.34)	(.28)	(.24)	(.20)	(.43)	(.25)	(.31)	(.25)
Realized Net Gain	(.52)	(.86)	(.80)	(.59)	(.98)	(2.45)	(2.88)	(.60)	(1.39)	(1.04)
TOTAL DISTRIBUTIONS	(.70)	(1.15)	(1.14)	(.87)	(1.22)	(2.65)	(3.31)	(.85)	(1.70)	(1.29)
NET ASSET VALUE, END OF YEAR	$12.65	$12.20	$10.40	$11.72	$10.27	$ 9.39	$11.50	$13.82	$11.45	$13.84
Ratio of Expenses to Average Net Assets	.48%	.46%	.55%	.51%	.55%	.46%	.54%	.60%	.68%	.85%
Ratio of Net Investment Income to Average Net Assets	1.51%	2.36%	2.77%	2.38%	2.20%	1.52%	1.49%	1.96%	2.51%	2.33%
Portfolio Turnover Rate	64%	52%	73%	27%	32%	43%	31%	42%	38%	31%
Number of Shares Outstanding, End of Year (thousands)	88,243	78,410	67,008	62,524	60,563	57,296	51,682	48,121	40,859	29,022

YIELD AND TOTAL RETURN	From time-to-time the Fund 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 the Fund refers to the average annual compounded rates of return over one-, five-and ten-year periods or for the life of the Fund (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 the Fund is calculated by dividing 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 the Fund'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 the Fund 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 the Fund's reports to shareholders.

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INVESTMENT OBJECTIVE	The Fund is an open-end diversified investment company. The objective of the Fund is to provide long-term growth of capital by investing primarily in common stocks. Dividend income is incidental to this objective. There is no assurance that the Fund will achieve its stated objective.
INVESTMENT POLICIES THE FUND INVESTS PRIMARILY IN "GROWTH STOCKS"	The Fund invests primarily in the equity securities of growth companies. Under normal circumstances, at least 65% of the Fund's assets will be invested in such securities. The Fund is managed without regard to tax ramifications. The Fund will generally invest in a diversified portfolio of common stocks but may also, from time-to-time, hold securities that are convertible into common stocks. The Fund is expected to invest a majority of its assets in "established growth companies" -- i.e., larger capitalization firms that have generally exhibited above-average rates of growth in sales and earnings over an extended period. The Fund may also invest in "emerging growth companies" -- expanding firms with generally smaller stock market capitalizations. Finally, the Fund may hold investments in "cyclical growth and other companies." These are firms which, while they may not have a history of stable long-term growth, are nonetheless expected to represent attractive investments. The Fund employs three investment advisers, each of which independently chooses common stock investments for the Fund. Wellington Management Company, which is currently responsible for approximately two-thirds of the Fund's equity investments, utilizes traditional methods of security selection, including fundamental company research and relative valuation techniques, in selecting growth stocks for the Fund. In contrast, Franklin Portfolio Associates Trust and Roll and Ross Asset

Management Corporation, which are each responsible for approximately one-sixth of the Fund's equity investments, are "quantitative" investment managers. They utilize computerized techniques designed to track -- and, if possible, outperform -- the returns of a specific standard, the Growth Fund Stock Index. The Growth Fund Stock Index, a benchmark calculated by Morningstar, Inc., is a measure of the composite performance of the common stock holdings of the 50 largest growth mutual funds.

In addition to investing in common stocks, the Fund is also authorized to invest in certain short-term fixed income securities as cash reserves and to use stock index futures and options to a limited extent. See "Implementation of Policies" for a description of these and other investment practices of the Fund.

The investment objective and policies of the Fund are not fundamental and so may be changed by the Board of Directors without shareholder approval. However, shareholders would be notified prior to a material change in either.

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INVESTMENT RISKS
THE FUND IS SUBJECT TO STOCK MARKET RISK

As a mutual fund investing primarily in common stocks, the Fund is 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 1992, as measured by the Standard & Poor's 500 Composite Stock Price Index:

U.S. STOCK MARKET RETURNS (1926-1992)
OVER VARIOUS TIME HORIZONS

</TABLE>

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<CAPTION>

<S>	1 YEAR <C>	5 YEARS <C>	10 YEARS <C>	20 YEARS <C>
Best	+53.9%	+23.9%	+20.1%	+16.9%
Worst	-43.3	-12.5	- 0.9	+ 3.1
Average	+12.2	+10.1	+10.4	+10.4

As shown, from 1926 to 1992, common stocks have provided an average annual total return (capital appreciation plus dividend income) of +12.2%. 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 chart above should not be viewed as a representation of future investment performance of the stock market or the Fund. The illustrated returns represent historical investment performance, which may be a poor guide to future returns. Also, stock market indexes are based on unmanaged portfolios of securities before transaction costs and other expenses. Such costs reduce the relative performance of the Fund and other "real world" portfolios. Finally, given its emphasis on "growth stock" investments, the Fund is likely to differ significantly in terms of portfolio composition and investment performance from broad market averages like the S&P 500.

- --

WHO SHOULD INVEST
INVESTORS SEEKING LONG-TERM GROWTH

The Fund is designed for investors who have the perspective, patience and financial ability to assume above-average interim investment risk in pursuit of long-term capital growth. Because of the risks associated with common stock investments, the Fund 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. Since the Fund will focus on common stocks that offer below-average levels of current income, greater-than-average investment risk -- for a common stock fund -- is likely. The Fund's share price is expected to be volatile.

No assurance can be given that the Fund will attain its objective or that shareholders will be protected from the risk of loss that is inherent in equity investing. Investors may wish to reduce the potential risk of investing in the Fund by purchasing shares on a periodic basis (dollar-cost averaging) rather than making an investment in one lump sum.

</TABLE>

<TABLE>

<S>	<C>
	Investors should not consider the Fund a complete investment program, but should also maintain holdings in investments with different risk characteristics, such as bonds and money market instruments. Investors may also wish to complement an investment in the Fund with other types of common stock investments.

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IMPLEMENTATION OF POLICIES	The Fund follows a number of distinctive investment practices in an effort to achieve its investment objective.
A PORTION OF THE FUND'S ASSETS ARE MANAGED USING QUANTITATIVE TECHNIQUES	Two of the Fund's investment advisers, Franklin Portfolio Associates Trust ("FPA") and Roll and Ross Asset Management Corporation ("R&R"), use quantitative investment techniques in managing their respective portions of the Fund's common stock investments. For the portfolio of securities they manage, FPA and R&R independently seek to track and, if possible, outperform the investment returns of the Growth Fund Stock Index. Currently, FPA and R&R are each responsible for approximately one-sixth of the Fund's equity investments. The Growth Stock Fund Index (the "Index") represents the composite common stock portfolio of the 50 largest growth mutual funds, as calculated by Morningstar, Inc. ("Morningstar"), an independent company which provides mutual fund statistics. The 50 mutual funds included in that Index are determined annually (as of December 31) by Morningstar. For the two quantitative investment managers (FPA and R&R), the Index is an essential tool in developing portfolios that will be designed to track and, hopefully, outperform the Index. For Wellington Management Company, the composition of the Index serves as a guideline for setting portfolio policy. For all three investment advisers, the Index is utilized as a benchmark for determining incentive/penalty investment advisory fees. See "Investment Advisers" and the Statement of Additional Information for further information on the Index and its use as a benchmark for incentive/penalty fees.
THE FUND MAY INVEST IN SHORT-TERM FIXED INCOME SECURITIES	Although it normally seeks to remain substantially fully invested in equity securities, the Fund may invest temporarily in certain short-term fixed income securities. Such securities may be used to invest uncommitted cash balances, to maintain liquidity to meet shareholder redemptions, or to take a temporarily defensive position against potential stock market declines. 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. Approximately 5% of the Fund's net assets are expected to be held as cash reserves, which will be managed by The Vanguard Group, Inc. at no charge to the Fund.
THE FUND MAY USE FUTURES CONTRACTS AND OPTIONS	The Fund may utilize stock futures contracts and options to a limited extent. Specifically, the Fund may enter into futures contracts provided that not more than 5% of its assets are required as a futures contract deposit. In addition, the Fund may enter into futures contracts and options transactions only to the extent

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	that obligations under such contracts or transactions represent not more than 20% of the Fund's assets. Futures contracts and options may be used for several reasons: to maintain cash reserves while remaining fully invested, 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. The Fund may not use futures contracts or options transactions to leverage its net assets.
THE FUND MAY LEND ITS SECURITIES	The Fund may lend its investment securities on a short-term basis (less than nine months) to qualified institutional investors for the purpose of realizing additional income. Loans of securities by the Fund 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.
BORROWING	The Fund may borrow money, subject to the limits set forth on page 7, for temporary or emergency purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities.
PORTFOLIO TURNOVER IS NOT EXPECTED TO EXCEED 100%	Although it generally seeks to invest for the long term, the Fund retains the right to sell securities irrespective of how long they have been held. It is anticipated that the annual portfolio turnover of the Fund will not exceed 100%. A turnover rate of 100% would occur, for example, if all of the securities of the Fund were replaced within one year.

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INVESTMENT LIMITATIONS THE FUND HAS ADOPTED CERTAIN FUNDAMENTAL LIMITATIONS	The Fund has adopted certain limitations on its investment practices. Specifically, the Fund will not: (a) with respect to 75% of the value of its total assets, invest more than 5% of its assets in the securities of any single company; (b) with respect to 75% of the value of its total assets, purchase more than 10% of the voting securities of any issuer; (c) invest more than 25% of its assets in any one industry; and (d) borrow money, except from banks (or through repurchase agreements) for temporary or emergency (not leveraging) purposes, and then not in an amount exceeding 10% of the value of the Fund's net assets at the time the borrowing is made. Whenever borrowing exceeds 5% of the value of the Fund's net assets, the Fund 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 the Fund's shareholders.

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MANAGEMENT OF THE FUND VANGUARD ADMINISTERS AND DISTRIBUTES THE FUND	The Fund is a member of The Vanguard Group of Investment Companies, a family of 33 investment companies with 71 distinct mutual fund portfolios and total assets in excess of $100 billion. Through their jointly owned subsidiary, The Vanguard Group, Inc. ("Vanguard"), the Fund 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 Fund manage its day-to-day operations and are responsible to the Fund's Board of Directors. The Directors set broad policies for the Fund and choose its Officers. A list of the Directors and Officers of the Fund 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 net expenses, which are allocated among the Funds under methods approved by the Board of Directors (Trustees) 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.
INVESTMENT ADVISERS THE FUND EMPLOYS THREE INDEPENDENT INVESTMENT ADVISERS	The Fund currently employs three investment advisers: Wellington Management Company ("WMC"), 75 State Street, Boston, MA 02109; Franklin Portfolio Associates Trust ("FPA"), One Post Office Square, Boston, MA 02109; and Roll and Ross Asset Management Corporation ("R&R"), 585 Skippack Pike, Blue Bell, PA 19422. Prior to April 24, 1990, WMC was the sole investment adviser to the Fund (then known as W.L. Morgan Growth Fund). FPA and R&R were added as advisers to the Fund on that date. The proportion of the net assets of the Fund managed by each adviser was established by the Board of Directors, and may be changed in the future by the Board of Directors as circumstances warrant. Presently WMC is responsible for approximately two-thirds of the equity investments of the Fund; FPA and R&R are each responsible for one-sixth. (The cash portion of the Fund's net assets is managed by The Vanguard Group, Inc. at no charge to the Fund.)

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	The Fund has entered into investment advisory agreements with WMC, FPA, and R&R which provide that the advisers manage the investment and reinvestment of the Fund's assets and continuously review, supervise and administer the Fund's investment program. The advisers discharge their responsibilities subject to the control of the Officers and

Directors of the Fund.

. . .WELLINGTON MANAGEMENT COMPANY (WMC)

WMC is a professional investment advisory firm which globally provides services to investment companies, institutions, and individuals. Among the clients of WMC are 12 of the 33 investment companies of The Vanguard Group. As of December 31, 1992, WMC held discretionary management authority with respect to approximately $67.4 billion of assets. WMC and its predecessor organizations have provided advisory services to investment companies since 1933 and to investment counseling clients since 1960.

Frank V. Wisneski and Nancy T. August, Senior Vice Presidents of WMC, serve as portfolio managers of the assets of the Fund assigned to WMC. Each separately oversees one-half of the assets assigned to WMC. Mr. Wisneski, who has been employed at WMC for 21 years, served as the sole portfolio manager of the Fund from September 1979 to December 1989. At that time, the responsibility for approximately one-half of the Fund's assets was transferred to Ms. August. In addition to her work for the Fund, Ms. August, who has also been employed at WMC for 21 years, oversees various investment portfolios with objectives and policies similar to those of the Fund. In managing the assets assigned to WMC, Mr. Wisneski and Ms. August are supported by research and other investment services provided by the professional staff of WMC.

The Fund pays WMC a basic advisory fee calculated by applying varying percentage rates to the average net assets of the Fund managed by WMC. The basic fee schedule is as follows:

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NET ASSETS	RATE
<S>	<C>
First $50 million	0.325%
Next $100 million	0.225%
Over $150 million	0.150%

This basic advisory fee may be increased or decreased by applying an adjustment formula ("incentive/penalty fee") based on WMC's investment performance relative to the investment record of Growth Fund Stock Index. Under the incentive/ penalty fee schedule, the basic fee payable to WMC may be increased or decreased by as much as .075% depending on the investment performance of the equity investments managed by WMC. Prior to April 24, 1990 WMC served as sole investment adviser to the Fund. At that time the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500") was used as the benchmark for determining any incentive/penalty fee paid to WMC. However, while the S&P 500 does serve as a broad gauge of stock market

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performance, it does not directly measure the investment performance of "growth stocks," the primary investments of the Fund. To assess the performance of its advisers relative to comparable "growth stock" investments, the Fund has adopted as a benchmark for incentive/penalty fees the Growth Fund Stock Index, an index of the equity holdings of the 50 largest growth stock mutual funds.

Under rules of the Securities and Exchange Commission, the incentive/penalty fee will not be fully operable until the quarter ending June 30, 1993, and, until that date, will be calculated according to certain transition rules. See the Statement of Additional Information for a detailed description of the incentive/penalty fee schedule for WMC and the applicable transition rules.

. . .FRANKLIN PORTFOLIO ASSOCIATES (FPA)

FPA is a professional investment advisory firm which specializes in the management of common stock portfolios through the use of quantitative investment models. Founded in 1982, FPA, a Massachusetts business trust, is a wholly owned subsidiary of Mellon Financial Services Corporation #1, which itself is a wholly owned subsidiary of Mellon Bank Corporation. As of December 31, 1992, FPA provided investment advisory services to 28 clients and managed assets with an approximate value of $4.98 million, including $407.9 million in assets for Vanguard Quantitative Portfolios, Inc., another mutual fund member of The Vanguard Group.

FPA employs proprietary computer models in selecting individual equity securities and in structuring investment portfolios for its clients, including the Fund. John J. Nagorniak, President of FPA, has been designated as the portfolio manager of the assets of the Fund assigned to FPA; he is responsible for overseeing the application of FPA's quantitative techniques to those assets. Mr. Nagorniak and the other investment principals of FPA are responsible for the ongoing development and enhancement of FPA's quantitative investment techniques.

The Fund pays FPA a basic advisory fee calculated by applying varying percentage rates to the average net assets of the Fund managed by FPA. The basic fee schedule is as follows:

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NET ASSETS	RATE
<S>	<C>
First $100 million	0.250%
Next $200 million	0.200%
Over $300 million	0.150%

This basic advisory fee may be increased or decreased by applying an incentive/penalty fee based on FPA's investment performance relative to the investment record of the Growth Fund Stock Index. Under the incentive/penalty fee schedule, the basic fee payable to FPA may be increased or decreased by as much as .10% depending on the investment performance of the equity investments managed by FPA.

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Under rules of the Securities and Exchange Commission, the incentive/penalty fee structure will not be fully operable until the quarter ending June 30, 1993, and, until that date, will be calculated according to certain transition rules. See the Statement of Additional Information for a detailed description of the incentive/ penalty fee schedule for FPA and the applicable transition rules.

. . .AND ROLL AND ROSS ASSET MANAGEMENT CORPORATION (R&R)

R&R, a Pennsylvania corporation founded in 1986, is a professional investment advisory firm which specializes in the management of common stock portfolios through the use of quantitative investment models. Messrs. Stephen A. Ross, Co-Chairman, Richard W. Roll, Co-Chairman, and Alan T. Yuhas, President, are the controlling persons and sole stockholders of R&R. As of December 31, 1992, R&R provided investment advisory services to 49 clients and managed assets with an approximate value of $5.1 billion.

R&R employs proprietary computer models in selecting individual equity securities and in structuring investment portfolios for its clients, including the Fund. Richard W. Roll, Co-Chairman of R&R, has been designated as the portfolio manager of the assets of the Fund assigned to R&R; he is responsible for overseeing the application of R&R's quantitative techniques to those assets. Mr. Roll and the other investment principals of R&R are responsible for the ongoing development enhancement of R&R's quantitative investment techniques.

The Fund pays R&R a basic advisory fee calculated by applying varying percentage rates to the average net assets of the Fund managed by R&R. The basic fee schedule is as follows:

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NET ASSETS	RATE
<S>	<C>
First $150 million	0.400%
Next $100 million	0.200%
Over $250 million	0.100%

This basic advisory fee may be increased or decreased by applying an incentive/ penalty fee based on R&R's investment performance relative to the investment record of the Growth Fund Stock Index. Under the incentive/penalty fee schedule, the basic fee payable to R&R may be increased or decreased by as much as .05% to .20%, depending on the dollar amount and the relative performance of the equity investments managed by R&R. Moreover, the incentive/penalty fee schedule is structured in such a way that, in order to earn the basic fee, the investment performance of R&R's equity assets must exceed that of the Index by at least 6% over the preceding 36 month period.

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Under rules of the Securities and Exchange Commission, the incentive/penalty fee structure will not be fully operable until the quarter ending June 30, 1993, and, until that date, will be calculated according to certain transition rules. See the Statement of Additional Information for a detailed description of the incentive/ penalty fee schedule for R&R and the applicable transition rules.

For the fiscal year ended December 31, 1992, the aggregate investment advisory fees paid by Vanguard/Morgan Growth Fund to WMC, FPA and R&R represented an effective annual rate of .21 of 1% of average net assets, before a net decrease of .02 of 1% based on performance. The investment advisory fees paid by the Fund for this period to WMC, FPA and R&R represented an effective annual rate of .17%, .23% and .22% of 1%, respectively, of the average net assets managed by WMC, FPA and R&R.

The investment advisory agreements with WMC, FPA and R&R authorize the advisers to select brokers or dealers to execute the purchase and sale of the Fund's portfolio securities, and direct the advisers to use their best efforts to obtain the best available price and most favorable execution with respect to all transactions. The full range and quality of brokerage services available are considered in making their determinations.

The Fund has authorized WMC, FPA and R&R to pay higher commissions in recognition of brokerage services felt necessary for the achievement of better execution, provided the advisers believe this to be in the best interests of the Fund. Although the Fund does not market its shares through intermediary brokers or dealers, the Fund's advisers may place orders with qualified broker-dealers who recommend the Fund to clients if the Officers of the Fund believe that the quality of the transaction and the commission are comparable to what they would be with other qualified brokerage firms.

PERFORMANCE RECORD

The table below provides investment results for the Fund for several periods throughout the Fund'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 Standard & Poor's 500 Composite Stock Price Index, a widely-used barometer of stock market activity, and the Consumer Price Index, a statistical measure of changes in the prices of goods and services. The tables do not make any allowance for federal, state or local income taxes, which shareholders must pay on a current basis.

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

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AVERAGE ANNUAL RETURN FOR VANGUARD/MORGAN GROWTH FUND

FISCAL PERIODS ENDED 12/31/92	VANGUARD/MORGAN GROWTH FUND	S&P 500 INDEX	CONSUMER PRICE INDEX
<S>	<C>	<C>	<C>
1 Year	+ 9.5%	+ 7.6%	+2.9%
5 Years	+15.9	+15.8	+4.2
10 Years	+14.1	+16.1	+3.8
Lifetime*	+11.4	+10.5	+5.9

*December 31, 1968 to December 31, 1992.

DIVIDENDS, CAPITAL GAINS AND TAXES

THE FUND PAYS DIVIDENDS AND ANY CAPITAL GAINS ANNUALLY

The Fund expects to pay dividends annually from ordinary income. Net capital gains distributions, if any, will also be made annually. Dividend and capital gains distributions may be automatically reinvested or received in cash. See "Choosing a Distribution Option" (page 15) for a description of these distribution methods.

In order to satisfy certain requirements of the Tax Reform Act of 1986, the Fund may declare special year-end dividend and capital gains distributions during December. Such distributions, if received by shareholders by January 31, are deemed to have been paid by the Fund and received by shareholders on December 31 of the prior year.

The Fund intends to qualify for taxation as a "regulated investment company" under the Internal Revenue Code so that it will not be subject to federal income tax to the extent its income is distributed to shareholders. Dividends paid by the Fund 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 the Fund from domestic (U.S.) sources.

Distributions paid by the Fund 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 Fund. Capital gains distributions are made when the Fund realizes net capital gains on sales of portfolio securities during the year. The Fund 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 the Fund realizes net capital losses.

Note that if you accept capital gains distributions in cash, instead of reinvesting them in additional shares, you are in effect reducing the capital at work for you in the Fund. Also, keep in mind that if you purchase shares in the Fund shortly before

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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 Fund will notify you annually as to the tax status of dividend and capital gains distributions paid by the Fund.

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

A sale of shares of the Fund 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.

The Fund 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 Fund has obtained a Certificate of Authority to do business as a foreign corporation in Pennsylvania and does business and maintains an office in that state. In the opinion of counsel, the shares of the Fund are exempt from Pennsylvania personal property taxes.

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 Fund.

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THE FUND'S SHARE PRICE

The Fund's share price or "net asset value" per share is determined by dividing the total market value of the Fund's investments and other assets, less any liabilities, by the number of outstanding shares of the Fund. 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) on each day that the Exchange is open for business.

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. Securities which are listed on an exchange and which are not traded on the valuation date are valued at the mean between the bid and ask prices. Unlisted securities for which market quotations are readily available are valued at the latest quoted bid price. Other assets and securities for which no quotations are readily available are valued at fair value as determined in good faith by the Directors. Securities may be valued on the basis of prices provided by a

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pricing service when such prices are believed to reflect the fair market value of such securities.

The Fund'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 Fund is a Maryland corporation. The name of the Fund was changed from W.L. Morgan Growth Fund, Inc. to Vanguard/Morgan Growth Fund, Inc. as of April 24, 1990. The Articles of Incorporation permit the Directors to issue 150 million shares of common stock, with a $.10 par value. The Board of Directors has the power to designate one or more

classes ("series") of shares of common stock and to classify or reclassify any unissued shares with respect to such series. Currently the Fund is offering one class of shares.
The shares of the Fund 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 Directors can elect 100% of the Directors 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 Director or Directors of the Fund if requested in writing by the holders of not less than 10% of the outstanding shares of the Fund.
All securities and cash are held by State Street Bank and Trust Company, Boston, MA. The Vanguard Group, Inc., Valley Forge, PA, serves as the Fund's Transfer and Dividend Disbursing Agent. Price Waterhouse serves as independent accountants for the Fund and will audit its financial statements annually. The Fund is not involved in any litigation.

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SHAREHOLDER GUIDE

OPENING AN ACCOUNT AND PURCHASING SHARES	To open a new account, either by mail or by wire, simply complete and return an Account Registration Form and any required legal documentation. Please indicate the amount you wish to invest. Your purchase must be equal to or greater than the $3,000 minimum initial investment requirement ($500 for Individual Retirement Accounts and Uniform Gifts to Minors Act accounts). If you need assistance with the Account Registration Form or have any questions about the Fund, 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. The Fund's shares are purchased at the next-determined net asset value after your investment has been received. The Fund is offered on a no-load basis (i.e., there are no sales commissions or 12b-1 fees).
ADDITIONAL INVESTMENTS	Subsequent investments may be made by mail ($100 minimum), wire ($1,000 minimum), exchange from another Vanguard Fund account ($100 minimum), or Vanguard Fund Express. However, the Fund reserves the right to reject any specific purchase request, whether it be made by check, wire, exchange from another Vanguard Fund account, or Vanguard Fund Express.

	NEW ACCOUNT	ADDITIONAL INVESTMENTS TO EXISTING ACCOUNTS
PURCHASING BY MAIL Complete and sign the enclosed Account Registration Form	Please include the amount of your initial investment on the registration form, make your check payable to The Vanguard Group-26, and mail to: VANGUARD FINANCIAL CENTER P.O. BOX 2600 VALLEY FORGE, PA 19482	Additional investments should include the Invest-by-Mail remittance form attached to your Fund confirmation statements. Please make your check payable to The Vanguard Group-26, write your account number on your check, and, using the return envelope provided, mail to the address indicated on the Invest-by-Mail Form.
For express or registered mail, send to:	VANGUARD FINANCIAL CENTER 1200 MORRIS DRIVE WAYNE, PA 19087	All written requests should be mailed to one of the addresses indicated for new accounts.

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PURCHASING BY WIRE Money should be wired to:	CORESTATES BANK, N.A. ABA 031000011 CORESTATES NO. 0101 9897 ATTN VANGUARD VANGUARD/MORGAN GROWTH FUND ACCOUNT NUMBER
BEFORE WIRING Please contact	

Client Services (1-800-662-2739)	ACCOUNT REGISTRATION
	To assure proper receipt, please be sure your bank includes the name of the Fund and the account number Vanguard has assigned to you. If you are opening a new account, please complete the Account Registration Form and mail it to the "New Account" address above after completing your wire arrangement. Note: Federal Funds wire purchase orders will be accepted only when the Fund and Custodian Bank are open for business.
PURCHASING BY EXCHANGE (from a Vanguard account)	You may open an account or purchase additional shares by making an exchange from another Vanguard Fund account. However, the Fund reserves the right to refuse any exchange purchase request. Call Vanguard's Client Services Department (1-800-662-2739) for assistance. The new account will have the same registration as the existing account.
PURCHASING BY FUND EXPRESS Special Purchase and Automatic Investment	The Fund Express Special Purchase option lets you move money from your bank account to your Vanguard account at your request. Or if you choose the Automatic Investment option, money moves from your bank account to your Vanguard account on the schedule -- monthly, bimonthly (every other month), quarterly or yearly -- you select. To establish these Fund Express options, 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.
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 Fund 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 Fund 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 dividend and/or capital gains distributions automatically in another Vanguard Fund account is also available.

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	Please call our Client Services Department (1-800-662-2739) for information on establishing this option.
IMPORTANT TAX NOTE	If you purchase shares shortly before a distribution of dividends or capital gains, a portion of your investment will be classified as a taxable distribution (regardless of whether you are reinvesting your distributions or taking them in cash).
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. 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 Fund will not cancel any trade (e.g., a purchase, exchange or redemption) believed to be authentic, received in writing or by telephone, once the trade has been received.
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 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. Your shares are purchased at the net asset value determined on your trade date. 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 Fund

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 Fund reserves the right to reject any specific purchase (and exchange purchase) request. The Fund 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/MORGAN GROWTH FUND, P.O. BOX 1120, VALLEY FORGE, PA 19482. (For express or registered mail, send your request to Vanguard Financial Center, Vanguard/Morgan Growth Fund, 1200 Morris Drive, Wayne, PA 19087.) The redemption price of shares will be the Fund'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 Fund name. 2. The amount of the transaction (specified in dollars or shares). 3. The signatures of all owners exactly as they are registered on the account. 4. Any required signature guarantees (if applicable). 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 are holding for the account. IF YOU HAVE QUESTIONS ABOUT THIS DEFINITION AS IT PERTAINS TO YOUR ACCOUNT, PLEASE CALL OUR CLIENT SERVICES DEPARTMENT (1-800-662-2739).
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. For telephone redemptions, you may have the proceeds sent to you by mail.
SELLING BY FUND EXPRESS Automatic Withdrawal & Special Redemption	If you select 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. The Special Redemption option lets you move money from your Vanguard account to your bank account on your request. 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.
SELLING BY EXCHANGE	You may sell shares by making an exchange into another Vanguard Fund. Call our Client Services Department (1-800-662-2739). For more information on exchanges, see page 18.

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IMPORTANT REDEMPTION INFORMATION	Shares purchased by check 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.
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 Fund reserves the right to revise or terminate the telephone redemption privilege at any time. The Fund 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 Directors determines that it would be detrimental to the best interests of the Fund's remaining shareholders to make payment in cash, the Fund may pay redemption proceeds in whole or in part by a distribution in kind of readily marketable securities.
MINIMUM ACCOUNT BALANCE REQUIREMENT	Due to the relatively high cost of maintaining smaller accounts, the Fund reserves the right to redeem shares in any account that is below the minimum initial investment amount of $3,000. In addition, if at any time the total investment does not have a value of at least $1,000, you may be notified that the value of your account is below the Fund'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. This minimum does not apply to IRAs, other retirement accounts, and Uniform Gifts to Minors Act accounts.

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EXCHANGING YOUR SHARES	Should your investment goals change, you may exchange your shares of Vanguard/Morgan Growth Fund for those of other available Vanguard Funds.
EXCHANGING BY TELEPHONE: Call Client Services (1-800-662-2739)	When exchanging shares by telephone, please have ready the Fund name, account number, Social Security Number or Tax I.D. Number, and account address. Requests for telephone exchanges received prior to the close of the New York Stock Exchange (generally 4:00 p.m. Eastern time) are processed at the close of business that same day. Requests received after the close of the Exchange are processed the next business day. TELEPHONE EXCHANGES ARE NOT ACCEPTED INTO OR FROM VANGUARD BALANCED INDEX FUND, VANGUARD EXPLORER FUND, VANGUARD INDEX TRUST -- 500, EXTENDED MARKET, TOTAL STOCK MARKET, VALUE AND GROWTH PORTFOLIOS, VANGUARD INTERNATIONAL EQUITY INDEX FUND -- EUROPEAN AND PACIFIC PORTFOLIOS, VANGUARD SMALL CAPITALIZATION STOCK FUND, AND VANGUARD QUANTITATIVE PORTFOLIOS. If you experience difficulty in making a telephone exchange, your exchange request may be made by regular or express mail, and it will be implemented at the closing net asset value on the date received by Vanguard, provided the request is received in Good Order.
EXCHANGING BY MAIL	Please be sure to include on your exchange request the name and account number of your current Fund, the name of the Fund 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/MORGAN GROWTH FUND, P.O. BOX 1120, VALLEY FORGE, PA 19482. (For express or registered mail, send your request to Vanguard Financial Center, Vanguard/Morgan Growth Fund, 1200 Morris Drive, Wayne, PA 19087.)
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 tax 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 Windsor Fund. - The redemption price of shares redeemed by exchange is the net asset value next determined after Vanguard has received all required documents in Good Order.

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	- When opening a new account by exchange, you must meet the minimum investment requirement of the new Fund. Neither the Fund nor Vanguard is responsible for the authenticity of exchange instructions received by telephone. Investors bear the full risk of loss arising from unauthorized telephone exchanges. To prohibit telephone exchanges on your account, please notify the Fund in writing. Otherwise, the telephone exchange privilege will be automatically established on your account. Every effort will be made to maintain the exchange privilege. However, the Fund reserves the right to revise or terminate its provisions,

	limit the amount of or reject any exchange, as deemed necessary, at any time.
EXCHANGE PRIVILEGE LIMITATIONS	The Fund'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 Fund and increase transaction costs, the Fund has established a policy of limiting excessive exchange activity. Exchange activity will not be deemed excessive if limited to TWO SUBSTANTIVE EXCHANGE REDEMPTIONS (AT LEAST 30 DAYS APART) from the Fund during any calendar year. These limitations do not apply to exchanges from Vanguard's money market portfolios.
TRANSFERRING REGISTRATION	You may transfer the registration of any of your Fund shares to another person by completing a transfer form and mailing it to: VANGUARD FINANCIAL CENTER, P.O. BOX 1110, VALLEY FORGE, PA 19482, ATTENTION: TRANSFER DEPARTMENT. The request must be in Good Order (see page 16). To obtain a transfer form and complete instructions, please call our Client Services Department (1-800-662-2739).
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 Fund will be mailed to you semi-annually, according to the Fund's fiscal year-end.
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.

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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 Fund Express allows you to transfer money between your Fund 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 the Investor Information Department (1-800-662-7447) for a Fund Express application. 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 TELE-ACCOUNT	Vanguard 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 the Investor Information Department (1-800-662-7447).

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VANGUARD/MORGAN GROWTH FUND, INC.
PROSPECTUS SUPPLEMENT

MARCH 11, 1994

On February 25, 1994, Vanguard/Morgan Growth Fund announced a change in the proportion of the net assets of the Fund managed by each of the Fund's investment advisers, to be completed by March 31, 1994. The portion of the Fund's assets managed by Wellington Management Company ("Wellington Management") will be reduced from 51% to approximately 40% of net assets. The share of net assets managed by Franklin Portfolio Associates will be increased from 22% to approximately 33%. The shares managed by the Fund's other two advisers will remain unchanged: Husic Capital Management (13%) and Vanguard Core Management (9%). Approximately 5% of the Fund's net assets is held in cash.

In addition, the Fund announced the following portfolio manager change to be completed prior to March 31, 1994. Robert D. Rands, 51, Senior Vice President of Wellington Management, will assume responsibility for Wellington Management's portion of the Fund's net assets. Mr. Rands has been associated with Wellington Management for 16 years.

The investment objectives and policies of the Fund will remain unchanged.

VANGUARD/MORGAN GROWTH FUND, INC.
PROSPECTUS SUPPLEMENT

JUNE 28, 1993

On June 18, 1993, the Board of Directors of Vanguard/Morgan Growth Fund, Inc. (the "Fund") approved the appointment of Husic Capital Management of San Francisco, California ("Husic") as an additional investment adviser to manage approximately 15% of the Fund's assets. The proportion of the net assets of the Fund managed by each of the Fund's investment advisers (see page 8) may be changed by the Board of Directors as circumstances warrant.

An Information Statement providing detailed information concerning this new investment advisory relationship will be mailed to shareholders of the Fund at least 30 days before the effective date of the new investment advisory agreement. It is expected that the effective date of the agreement will be on or about September 15, 1993. Under the terms of the agreement, the Fund will pay Husic a basic advisory fee at the end of each fiscal quarter, calculated by applying a quarterly rate, based on the following annual percentage rates, to the average month-end assets of the Fund managed by Husic for the quarter:

<TABLE>
<CAPTION>

NET ASSETS	ANNUAL RATE
<S>	<C>
First $25 million	0.40%
Next $125 million	0.35%
Next $350 million	0.25%
Next $500 million	0.20%
Over $1 billion	0.15%

</TABLE>

Effective with the quarter ending September 30, 1994, the basic fee paid to Husic, as provided above, may be increased or decreased by as much as 75% by applying an incentive/penalty fee based on the investment performance of the assets managed by Husic relative to the return of the Growth Fund Stock Index (described on page 9).

VANGUARD/MORGAN GROWTH FUND, INC.
PROSPECTUS SUPPLEMENT

JUNE 1, 1993

As of May 4, 1993, Roll and Ross Asset Management Corporation ("Roll and Ross") no longer serves investment advisory services to Vanguard/Morgan Growth Fund, Inc. (the "Fund"). The assets previously allocated to Roll and Ross (approximately 15% of the Fund's assets) will be managed on an at-cost basis by Vanguard's Core Management Department until a replacement investment adviser is selected in accordance with the Investment Company Act of 1940. The Fund's Board of Directors may, without the approval of shareholders, provide for the employment of a new adviser pursuant to the terms of a new advisory agreement. Any such change will only be made upon not less than 30 days' prior written notice to shareholders, which shall include detailed information concerning the new adviser.

VANGUARD SPECIALIZED PORTFOLIOS -- SERVICE ECONOMY PORTFOLIO
VANGUARD/MORGAN GROWTH FUND

COMBINED PROXY STATEMENT AND PROSPECTUS

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(LOGO)